

WEDNESDAY APRIL 14 1999

World Business Newspaper http://www.FT.com



Algerian election Islamist ghost at the party Page 7



Over here Why Europe loves American CEOs Page 11

Nato to step



REINFORCEMENTS WILL TAKE THE ALLIED AIR CAMPAIGN AGAINST MILOSEVIC 'TO THE NEXT LEVEL', SAYS CLINTON

Colombian unrest **Neighbours** move to stop violence spreading

Czech beer **New push for** Pilsner exports Page 16

WORLD NEWS

WTO set to miss deadline as global trade talks loom

The World Trade Organisation is likely to miss another deadline today in the tense contest to replace director general Renato Ruggiero. There are fears that the WTO may find itself rudderless as it prepares for a new round of global trade talks. Page 12; Clinton 'failed' on China deal, Page 5

Kevorkian given 10 to 25 years Jack Kevorkian, US euthanasia advocate who claims to have assisted in the deaths of more than 130 people since 1990, was sentenced to between 10 and 25 years in jail. US, Page 4

China's job losses stretch welfare China's welfare system is set to come under unprecedented pressure as state enterprises make another 7m workers redundant and a further 26m people expect pensions. Page 12

Aummen setze airfine passengers Colombian gunmen forced an internal flight to land at an clandestine airstrip and kidnapped the 41 passengers and five crew. Americas, Page 4

Anwar verdict to be given today Judgment is to be given today in Kuzia Lumpur in the politically charged case of Anwar Ibrahim, the sacked Malaysian deputy prime minister. Asia-Pacific, Page 6

Swedish PM seeks to limit damage Swedish prime minister Göran Persson kept a low profile as he attempted to limit damage to his government caused by the sudden resignation of finance minister Erik Asbrink. Europe, Page 3

Finnish parties set for coalition. Five Finnish political parties are to form a coalition government after more than three weeks of talks following an inconclusive general election. Europe, Page 3

Almost 200 local and regional US film commissions are joining forces to try to stop the flight of film-makers to cheaper, more accommodating locations abroad, US, Page 4

China admits to judicial errors China said 12,000 wrongful court judgments were reported last year and 7,000 judicial officials and law enforcement officers were prosecuted for bribery and abuse of power. Asia-Pacific, Page 6

ndonesia offers mediation Indonesia called for a ceasefire and offered to mediate in East Timor. Asia-Pacific, Page 6

Japanese look at battery recycling Japanese electronics producers are in talks with a UK technology company about recycling lithiumion batteries, which are difficult to dispose of, UK, Page 8

Malaysia and Singapore join forces Malaysia and Singapore today begin joint defence exercises that represent a sharp change from last year, when it seemed they were aching to fight each other. Asia-Pacific, Page 6

Cycling incentive for scientists Leading scientists at a UK consultancy will be given salary rises if they use bicycles or buses to get to work. UK, Page 8

BUSINESS NEWS

Clariant and merger talks

Clariant of Switzerland and Laporte, the UK chemicals group, abruptly called off talks on a potentiai £2bn (\$3.2bn) takeover hours after Laporte revealed it was in negotiations with a possible bidder. Companies and markets, page 13; Lex, Page 12

Grupo Ferrovial, Spanish construction company, is heading a consortium that has reached a C\$3.1bn (\$2bn) agree ment with the government of Ontario to operate a ploneering electronic toll highway. Companies and markets, page 13

sell FAO Schwarz, the US toys chain it acquired last year, because it is unhappy with its performance and wants to focus on Europe. International companies, Page 16

Ericsson, Swedish telecommunication equipment maker, joined the rush into US internet technology companies with the \$450m cash purchase of Torrent Networking Technologies. Europe companies, Page 14

Caje Madrid, Spain's second €1.3bn, leaving the dominant domestic telecommunications group short of a key reference shareholder. Europe companies, Page 14

Banque Nationale de Paris' chances of acquiring Paribas Improved when the value of its for the first time this month. Europe companies, Page 14

Vivandi, acquisitive French utilities and communications group, plans to float up to onethird of its newly enlarged environmental services business within five years. Europe com-

consumer food company, could raise up to SFr750m by setting Findus, one of the world's bestknown frozen food brands to EQT Scandinavia, a US-Swedish vanture capital group. Europe

agency, cut the corporate credit rating of Daewoo Corporation, mother company of South Korea's second largest conglom erate, by one notch to B- in a new blow to the group. Asia-Pecific companies, Page 18

Tovota, Japan's biggest and markets, page 13

and markets, page 13

Euro Prices

A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 21

Laporte call off

Vendex, Dutch retail group, may

largest savings bank, has sold its 3 per cent stake in Telefónica for

all-share bid rose above that of a rival offer from Société Générale

Nestie, the world's biggest companies, Page 14

Standard & Poor's, US rating

automotive group, raised ques-tions abouts its strategy with a top-level management reshuffle that saw Hiroshi Okuda replaced as president by Fujio Cho, executive vice-president. Companies

Tesco, UK's largest supermarket group, reported stronger than expected trading. Companies

WORLD MARKETS

STOCK MARKET INDICES		New York Comes	
New York: Lunchtime	(-0.84)	· · · · · · · · · · · · · · · · · · ·	(282.8)
Dow Jones Ind Av10338.57	(-22.03)	Londote	
NASDAO Composite2576.78	L55-104	5283.85	(283,55
Europe and Far East	(412.41)		-
CAC404367.41		DOLLAR	
DAX5199.78	· (+40.02)	New York Lunchtime	
FISE 1006513.1	(471.9)	1.6140	
FTSE Eurotop 300 1306.15	(+18.52)	0.9284	
Nikkei18,715,16	(+207.76)	SFr1,4895	
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OTHER RATES	后 4%)	Y	•-
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UK: 10 yr Get111.21	(2.661)	EURO (London)	
Suo Sator	(99.41)	\$	(1.0847)
Remoter 10 or Build 99.40		D.6874	(0.6717)
Japan: 10 yr JGB102.768	(102,716)		(130.311)
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up air strikes

on Yugoslavia Nato indicated yesterday it was stepping up air strikes against

aircraft to take part in the threeweek-old campaign. General Wesley Clark said at a Brussels briefing the reinforcements he had asked for included 300 US aircraft, and Nato was also seeking contributions from

other allies. Javier Solana, Nato secretarygeneral, said in an interview that about half the additional aircraft would come from Europe, including the UK and France, although he would not specify the total.

The aircraft, which would bring the total to more than 1,000, are thought to be needed to sustain a higher level of strikes than so far achieved amid cloudy weather and resistance from Yngoslavia's sir defences. Robin Cook, UK foreign secre-

week, three times as many allied aircraft were involved in operations on Monday. Some military analysis in Washington said the requirement had a political motive: to send a message to Slobođan Milosevic, Yugoslav Kosovar Albanians.

chance that Nato would let up on the campaign.

The alliance continued to insist Yugoslavia as its military com-mander requested hundreds more invasion force into the Serbian province of Kosovo, despite mounting calls for this in the US. But congressional leaders said after a meeting with President Bill Clinton that he was not ruling out any options.

Senator John Kerry, Democrat from Massachusetts, said Mr Clinton did not believe ground troops were necessary at present. "But I also heard him say that he believes nothing is essentially off the table," he said.

Mr Clinton told reporters after the meeting that reinforcements would take the allied air campaign "to the next level". "Our campaign is diminishing and grinding down Mr Milosevic's military capability," he said.

Tony Blair, UK prime minister, announced Britain was sending tary, said compared with last an extra 1,800 troops to neighbouring Macedonia, with 14 Chailenger tanks and six AS-90 howitzers. They will join 12,000 troops there as part of the peacekeeping force Nato plans to deploy after hostilities to secure the return of



Nato hopes Russian troops will include troops from countries form part of that force. However, taking part in Nato's air camthe US and Russia made scant progress on bridging their disement over Nato's air strikes at a four-hour meeting in Oslo between Madeleine Albright, US secretary of state, and Igor Ivanov, Russia's foreign minister.

The two agreed to continue seeking a political solution. "We perhaps not as big a step as we hoped," Mr Ivanov said.

Belgrade signalled a willing-

paign. Vojska, a publication of slavia could "perhaps" accept troops from Russia, Ukraine and Nato-member Greece. Deputy Yugoslav prime minis-

ter Vuk Draskovic, whose Serbian Renewal Party represents the more liberal wing of the rulhave taken a step forward, but ing coalition, said a multinational force excluding Nato could be a basis for compromise.

Mrs Albright warned of serious Fidler in Washington ness to drop its rejection of a consequences for Mr Milosevic if foreign peacekeeping force in he widened the conflict, following Kosovo so long as it did not reports, denied by Belgrade as a

"heinous lie", of a Serbian incur sion into Albania. Mr Cook also said yesterday

the Yugoslav army, said Yugo- that Nato was getting repeated reports that young women had been separated from refugee columps while fleeing Kosovo and "forced to endure systematic rape" in an army camp at Djakovica, near the Albanian border. Reporting by Alexander Nicoll in London, Neil Buckley in Brussels, Stefan Wagstyl in Tirana, Guy Dinmore in Belgrade and Stephen

Editorial Comment, Page 11

Prodi seeks support with federalist agenda

By Michael Smith in Strasbourg and James Billiz in Rome

Romano Prodi, former Italian premier, yesterday tried to raily the European Parliament behind Commission president, setting agenda and dropping plans to run for parliament.

Mr Prodi said standing for par-Hament in the June elections, as he had intended, could create

"I am not here to divide, I am here to unite," he said, speaking at a full session of the European Parliament for the first time since his nomination as president of the European Union executive

accusations of mismanagement

his nomination as European of parliament, which was instrumental in pressing for the comout an avowedly federalist mission's resignation. Members of the parliament will question the president-designate more closely next month before voting on his nomination.

In his address yesterday Mr Prodi promised MRPs that he would lead the EU speedily into an age of reform and change and called for a single economy, a "political unity" and more co-operation on defence.

Most applauded his reform

backed Mr Prodi as commission stand for parliament. You come he said. mission resigned in the wake of good European and have demon- develop its own defence capabil- neighbouring countries' But he also needs the support Pauline Green, socialist group

> end tensions with the US and would promote further liberalisation of world trade. The EU must be prepared to open its markets to developing countries, he said. Calling for greater co-operation

between EU countries, Mr Prodi said the single market was the theme of the 1980s and the single currency was the theme of the

"We must now face the difficult task of moving towards a single

strated an ability to reform," said the and "should start from now to rationalise the use of industrial ture". Economic co-ordination Mr Prodi said he would push to labour markets, he suggested. Economic growth was insuffi-

mission had to expedite a revi- tions. But deprived of Mr Prodi's sion of labour market rules by, candidacy, the Democrats could for example, reducing barriers to get less than 5 per cent of the

Mr Prodi said the EU could not tolerate delaying reform of the EU's bureaucracy or policies. try's centre left.

last month. EU governments ideas and his decision not to economy and a political unity." Delay "would put at risk our indispensable contribution to the president after the 20-strong com- with exceptional credentials as a Mr Prodi said the union must very serious [issues] facing

> Mr Prodi's decision not to stand as a candidate in the Euroresources and military infrastruc- pean elections will come as a severe blow to the new Italian should concentrate on tax and centrist party, the "Democrats", which he set up this year.

> Until recently, opinion polls cient to help reduce unemploy- suggested that the Democrats ment, the main fear among EU could get as much as 12 per cent citizens, he said. A reformed com- of the vote at the European elecvote, neutralising the threat to Massimo D'Alema, the Italian premier, as leader of the coun-

Inflation subdued as US sales rise

By Rancy Demos in Washington

The US shopping spree continued in March as retail sales rose 0.2 per cent compared with the previous month, according to Commerce Department figures pubhished yesterday. Inflation remained under con-

trol as consumer prices advanced 0.2 per cent in March compared with February, with the impact of rising oil prices mitigated by falling food costs.

For the first quarter, retail ales rose at an annualised pace of 14.9 per cent.

Ian Shepherdson of High Frequency Economics, which gives daily data analyses, said that, excluding cars, consumer puran annualised rate of 13.2 per cent - the best since the fourth quarter of 1980.

exceed 6 per cent and GDP growth would be more than 3 per cent. "Slowdown? You kidding?" he concluded.

The commerce department revised the February retail sales gains up from 0.9 per cent to 1.7 per cent. January sales were revised up from 1 per cent to 13

growth of retail sales in March, compared with the two previous months, was partly due to an anticipated drop in car sales, after several months of growth. Also, purchases of building

materials and home furnishings moderated. Grocery store sales slipped while the recent gains in petrol prices led to the sharpest rise in service station receipts since May 1996.

"Mild weather and the accelerated pace of federal tax refunds so far in early 1999 may be contributing to some of the strength in consumer spending," said Morgan Stanley Dean Witter in its economic data bulletin. "But there is little doubt that

chases in the first quarter rose at the underlying fundamentals remain quite supportive as well." The core annual rate of inflation - excluding energy and food Mr Shepherdson forecast that prices - was 0.9 per cent in the the annual rate of consumption first quarter, the smallest quargrowth in the first quarter would terly gain since 1964. The cost of goods fell 0.1 per cent in March, against February, and services'

prices advanced by 0.3 per cent. Financiai markets reacted calmly to the reports, which fell within the range of Wall Street economists' forecasts.

Lex, Page 12

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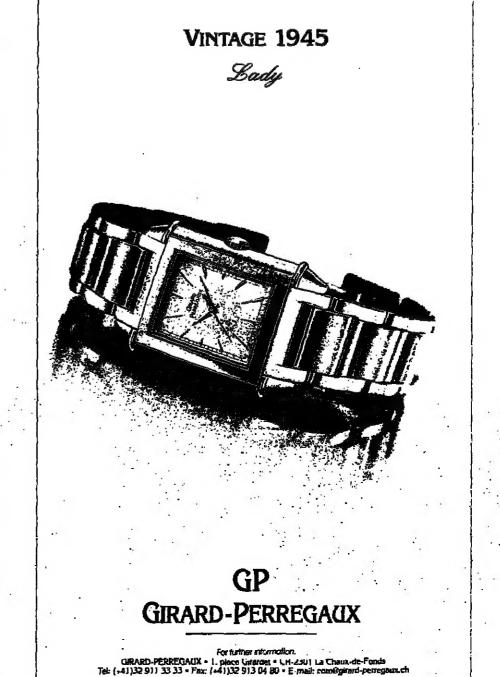
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KOSOVO CRISIS AIR CAMPAIGN CONTINUES TO PILE ON PRESSURE WARNING OVER EFFECTS ON ALBANIA I ITALY REAFFIRMS SUPPORT FOR NATO ACTION LIK TO SEND FURTHER 1,800 TROOPS

Nato's 'gradual' military strategy questioned

"The air campaign is working" has been a constant mantra from Nato briefers since strikes on Yugoslavia began three weeks

Yet the military force assembled by the alliance is to begin at a starting point expanding by the day. Nearly 100 more aircraft were ordered to the region over the weekend. General Wesley Clark, the Nato supreme commander, has requested hundreds more of which 300 would come from the US - potentially bringing the total deployed to more than 1,000.

punch it would need to deliver a devastating blow to Slobodan Milosevic, the Yugoslav president, or are the reinforcements simply part of the evolution of the campaign?

Some analysts in Washington saw the latest request as implicit recognition the gradual build-up of the campaign had been a mistake. Lawrence Korb, director of studies at the Council of Foreign Relations in New York, said: "It's very clear that the start of the campaign didn't rather than severe or being resemble the first night in deemed destroyed. Video

Gen Clark vesterday build-up by saying Nato had craft fire.

Mr Milosevic would negoti ate a settlement.

Once conflict began Nato said it would progressively intensify, and this was "very much on track as we imagined it would be".

Ken Bacon, Pentagon spokesman, said at the weekend: "Any air campaign has and that starting point is to attack the air defence system that challenges or threatens the allied planes. That's what we've done. Then we've moved out."

Yugoslav air defences have been severely affected. and are likely to have lost integration between radar data and target setting Did Nato misjudge the which would aid the accuracy of surface-to-air mis-

> A military analyst in Washington said this had affected the capabilities of more freely in the skies advanced SA-6 batteries, but the less advanced SA-3 fixed systems and SA-7 hand-held could still pose problems to aircraft flying at lower alti-

A man shown by Gen Clark at a Brussels briefing showed most air defence sites hit had suffered damage classified as moderate clips from US aircraft show missiles being fired at them sought to explain the as well as plentiful anti-air-

One indication there is

AID EFFORT CALL FOR CO-OPERATION WITH GOVERNMENT

Concern over future

stability of Albania

Nato and international aid Tirana's international air-

agencies operating in port, its ports and other

lising the country politically are being posted to Albania

and economically, a senior to support relief work for

in Europe warned vesterday. housed in camps and in pri-

OSCE mission chief in its impact on Albania and

ments even when we are missioner for Rafugees, the

Albania must work with the facilities to Nato.

goverument to avoid destabl-

official of the Organisation

for Security and Cooperation

"We have to be careful to

see that we don't overwhelm

Albania's long-term require

Mr Everts, who has been

in Tirana for two years, said

Albania was a fragile state

with weak state institutions

in all areas of government.

chaos two years ago and was

hit by civil order again last

Mr Everts urged interna-

closely with Albanian bodies

country's institutions.

The country collapsed into supplies,

tional organisations to work Albanian farmers."

Mr Everts' comments fol- the crisis.

"My concern is that we relief effort has injected new

should not have a state demand into the economy.

within a state - a relief normal commercial activi-

agency state working inde- ties are being disrupted.

pendently of the Albanian mainly because of business

crisis that is going on."

Albanta," said Dean Everts.

low Albanian government

decisions to cede control of

About 8,000 Nato troops

300,000 refugees who have

fled Kosovo and are being

Mr Everts added that Nato

We must not lose sight of government and with the cations, the mobile tele-

was aware of the dangers of

United Nations High Com-

dealing with the enormous UN agency co-ordinating has remained broadly stable

improving roads and water

source as much as possible

of their purchasing locally.

This would be very good for

The crisis is already affect-

to avoid undermining the ing Albania's economic Italian partner, said yester-

development. While the

people's adverse reaction to

He urged agencies to



regard is that 24 US F-16CJ aircraft deployed at the weekend are armed with HARM missiles specifically designed for suppression of

Nevertheless. Nato clearly feels it can now range much above Kosovo and wants to take advantage of that by keeping as many aircraft in the air as possible round the clock to attack Serbian army and special police units whenever they break cover.

Military analysts said as Nato's campaign evolved to strike more mobile targets on the ground, more low-level air missions were needed. This would also require aircraft to "loiter" over the Adriatic so they could be called in at short

Gen Clark said there was a still a job to be done in this much higher ratio of support

The ministry of trade says

imports are already falling

as companies reduce stocks.

It estimates that imports

for the first six months of

Foreign bankers in Tirana

say privatisation plans seem

certain to be delayed

including proposed sales of

stakes in the state-owned

National Commercial Bank.

Albtelecom, the telecommu-

nications monopoly, and

The Albanian currency

on the foreign exchange

eign currency in Albania,

cash in circulation.

with an estimated \$1bn in

Giancarlo Rizzola, manag-

ing director of Banca Italo

Albanese, a joint venture

Italian-Albanian bank in

which Banca di Roma is the

day that banks were work-

ing hard to bring enough for-

eign currency cash into the

economy to meet local

The money was either

was working well with the Albanian Mobile Communi-

The crisis could yet bring market. But the lek's value

some benefit to Albania if is a misleading indicator of

Nato and the relief agencies economic stability because

carried out works such as of the large amount of for-

to strike aircraft than in previous campaigns. Out of 5,924 sorties flown up to yeshad been intended to strike. Some 2,000 sorties have been by air-to-air refuelling tank

In addition, air combat patrols to protect all the other aircraft are being flown in half a dozen different areas, and there are also a large number of flights by surveillance aircraft, providing intelligence about enemy

Fewer strike aircraft are

needed proportionstely because many of them are using weapons guided by laser or global positioning system (GPS). According to the Pentagon, precisionguided weapons make up

An avionics engineer repairs a US jet at Nato's Aviano eir base in Italy

9 per cent in the Gulf War. Briefing officers have indicated that the intelligence available to pilots about targets has improved.

avoid civilian casualties, vided by 24 Apache tankmany bombing raids have been aborted because cloud or smoke obscured the targets - according to Gen Clark, more than 50 per cent on each of 10 days.

But General Sir Charles Guthrie, UK chief of defence staff, said British Harrier jets had for the first time dropped bombs through cloud. "We are now satisfied

such attacks allows us confidently to carry them out whilst minimising the risk of collateral damage."

A new dimension to the Because of the desire to air campaign will be probusting helicopters now being flown into Albania. These will be able to make deadly sortles over the border to attack Serb forces, and are likely to discourage excursions such as that reported yesterday over the Albanian border at

> However, not all analysts believe Nato's build-up strategy is convincing.

to begin the campaign by tackling air defence targets rather than the riskier military targets in Kosovo allowed the Serb military to achieve its objectives in Kos-

"We were more concerned with protecting the military members of Nato than we were with saving lives of the people of Kosovo," he said. Michael O'Hanlon of the Brookings Institution in have been apparent from the

Washington said: 'The limitations of the air campaign beginning and filling the skies with more airplanes doesn't necessarily solve any

ity on the international

stage, so his support has

Mr Dini, however, spent

much of his early career in

the US and has long been

perceived in Washington as

an important ally. He there-

premier to keep open chan-

nels with Belgrade, "By

doing so, he can soothe the

concerns of the Communists

in the coalition," says

Antonio Missiroli, a leading

foreign affairs analyst. Oth-

ers say he may also want to

italy ahead of the forthcom-

in Europe of the worst aspects of the century now drawing to a close," he He continued to balk at the suggestion that the air attacks should be augmented by an offensive involving the use of ground troops, because the "potential loss Im ten coalition of life among our service men and women would be

considerable". Troop reinforcements were being sent simply so the UK could play its "proper role in the international effort to ensure the refugees are able to return to Kosovo in safety"

backing

for more

The announcement by the

UK prime minister yesterday

ther 1,800 troops to Greece

and Macedonia received an

ambivalent response in the

lower house of parliament. Unlike Britain's other mili-

tary ventures of recent

years, opposition to the war

crosses party boundaries. Tony Blair, the prime minis-

ter, once again insisted that

Nato was engaged in a

humanitarian mission to

protect the persecuted Alba-

in Kosovo is a test of our

resolve to ensure that the

21st century does not begin

with a continuing reminder

"The conflict we now face

nians of Kosovo.

troops

But they would only be deployed in Kosovo once Yugoslavia had capitulated and had agreed to Nato's conditions for the return of the refugees

He received low-key support from prominent Conservative and Liberal Democrat members, as neither party wishes to be seen as unparrifore has more diplomatic otic when UK military personnel are risking their room than the ex-communist

> William Hague, Conserva-tive party leader, said his backing depended on "government assurances about the military situation and what could be achieved". Meanwhile, Paddy Ash-

raise his standing inside down, Liberal Democrat leader, continued to press Mr Blair to consider the use of land forces. By contrast, more junior

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members of parliament from both the Conservative and Labour parties have been ground troops to Kosovo explicitly distancing themselves from the government over Kosovo.

Alan Clark, a former Conservative party defence minister, summed up the views of the traditional Conservetive right by saying it was wrong to bomb the Serbs when they had "never

ish citizen". Labour's leftwing MPs were blunter still. One of them, Alice Mahon, accused mitting "straightforward

Italy 'loyal to operation'

Despite initial concerns, prime minister has so far avoided political upheaval over his country's support for Nato and its military strategy in Yugoslavia, writes James Blitz

prime minister, yesterday reaffirmed his government's support for Nato's action in Yugoslavia, saying his country remained "loyal to the military operation" and was "doing its duty".

In an important sign of how the Nato alliance is aircraft are giving logistical remaining compact as events support but not taking direct develop in Yugoslavia, Mr D'Alema told the Italian parliament that "military engagement" was a cornerstone of his government's policy in the crisis. "We don't have any reason to beat our breasts this time and utter the mantra that should," he told parliament at the start of a debate or the Kosovo crisis. "We are playing our part in all seri-

Italy's centre-government has so far avoided political upheaval over its support for Operation Allied Force

When Nato began the action three weeks ago. there was widespread concern that Italy (often swayed in the past by the pacifist traditions of powerful Catholic and Communist movements) would withdraw support for a US-led military operation being launched from its territory on a neighbouring country. Mr D'Alema compounded fears with much longer." He openly being hoarded or taken out a gaffe at the outset of the operation that Nato should Serbs had been treated fairly

Massimo D'Alema, Italy's move swiftly to a peace in the Rambouillet negotisagreement with President Slobodan Milosevic.

Since then, the mood in Rome has changed. The prime minister, though an ex-communist, quickly threw his weight behind the Nato operation, in which Italian part in the bombardment. "The wobble that we were expecting from D'Alema hasn't yet materialised.' said one European diplomat tions by pacifist groups but

First, the flood of Kosovar refugees has roused the emotions of the Italian public. In

tions that preceded the cri-

sis. Nevertheless, senior gov-

ernment officials insist the

Italian government's support

for the Nato operation is

the first week of the war. support for the Nato operation soared from 25 per cent to 37 per cent in the polls. Rome has seen demonstra-

'Wobble we were expecting from

in Rome yesterday.

The experience of recent days has not, admittedly, been easy for the premier. Some of his far left supporters. particularly the Communists, are broadly opposed to threatened to withdraw support for his ruling coalition.

Mr D'Alema has also taken a somewhat firmer stance towards Serbia than his foreign minister, Lamberto Dini, whose department is sometimes seen as "pro-Serb". Last week, Mr Dini said: "We don't want to see the bombings go on for questioned whether the

the standards of, say, the 1991 Gulf War. "It would be hard to imagine the Communists going against the grain of public opinion and creating difficulties two months Nato's action and have before European elections," said a senior government official.

> ing over the approach to sis." Serbia, have agreed what sion of labour".

ing election for a new president of the republic. ble-act can be sustained for much longer remains to be seen. "The despatch of could trigger a shift in the political picture," says a

"You would see the withdrawal of communists from Moreover, Mr D'Alema and the government and new Mr Dini, far from disagree- fears about a political cri-Such a prospect means

senior government official.

one adviser to the prime that the Italian prime minis- injured or threatened a Britminister calls "a neat divi- ter has better reasons than most other western leaders to want to avert an escalashake off his communist tion of the conflict. But for image with Italy's main now, Mr D'Alema is having a the western alliance of com-European allies. The Kosovo better war than he might

crisis is an important oppor- have expected.

PRIVATE FINANCE DRIVE UK TREASURY TASK FORCE IS MODEL Deutsche Bank to join Italian public projects

By Nicholas Timmins, Public Policy Editor

Deutsche Bank has teamed take advantage of the Italian government's declared commitment to using private as roads, bridges, port dominant bank in the south development and water of Italy.

up a private finance unit sectors to provide advisory inside the Italian Treasury, modelled closely on the UK access to European capital Treasury's PFI task force, at time when the EU Commission is encouraging public/private partnerships. Geoffrey Spence, head of project finance for Europe, Middle East and Africa at

Deutsche Bank, said privately. yesterday that the Italian government estimates that director of Banco di Napoli, €63bn (\$68.4bn) of said that public spending infrastructure work is restrictions meant that "the needed in southern Italy old way of developing public over the next 10 years.

unless they get the longer feasible.
infrastructure in place in "The approach of the past between the north and south approach."

will just widen," he said.

jointly brings Deutsche educating local authorities Bank's worldwide project in the use and techniques of up with Banco di Napoli to finance expertise, and its private finance. detailed knowledge of the private finance initiative in the UK, into partnership finance for public with the local knowledge of Mr Spence added: "It will infrastructure projects such Banco di Napoli, the take some time before we see

The two aim to work with The government is setting both the public and private services, credit facilities and markets.

Local and regional authorities are being asked to prepare a rolling programme of infrastructure projects, much of which is likely to have to be financed

Frederico Pepe, managing infrastructure with 100 per "The concern is that cent public funds is no

The agreement to work that they face an uphill task "We have to fight a

cultural battle to explain this," Prof Pepe said, while the real fruits of this approach"

Private finance initiatives include infrastructure projects that can be privately owned and run, sometimes with the injection

of public money. With €10bn of water projects alone needed in

southern Italy over the next three years, and a private partnership programme (PPP) set to start up, subject only to final parliamentary approval, Mr Spence said: "There is a lot of potential development suitable for

He stressed that the agreement was limited to project finance and said nothing about any further possible involvement by southern Italy, it won't is over. We need to take up Deutsche Bank in the grow, and the existing divide the project finance restructuring of the Italian banking sector.

Ciller on charm offensive before poll

of Albania in cash.

demand.

The biggest misfortune to ago" is how Tansu Ciller is ful military. described by one of her many critics.

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the Turkish elite as an opportunist who forged a coalition with Islamists until befall the Turkish republic they were forced out of office since it was founded 75 years two years ago by the power-

But the former economics professor is hoping to do Turkey's first woman well in general and local prime minister is detested by elections on Sunday by projecting herself as the champion of the poor and

> Turks for her chameleon-like ability to be all things to all voters, the 52-year-old could yet emerge as the dark horse in a race obscured by a ban on opinion polls.

> Unofficial surveys which suggest her centre-right True Path party will slip to fourth from third position in parliament must be taken with a pinch of salt given that no pollster predicted that the Islamist Welfare party would sweep the largest number of votes in the

last elections in 1995. A better than expected upset financial markets' coalition led by Bülent Ecevit, the caretaker prime minister and Mesut Yilmaz, the tre-left Democratic Left broadcast vowing to end party and Mr Yllmaz's pro- "cheque book journalism"

best hope of continuing badly-needed economic reforms. Ms Ciller on the other hand is distrusted by the military and large sections of the middle-classes after

forming a government with Welfare in spite of promising she would not. The Islamists were forced to step down on suspicions they were trying to move Turkey towards Feared by well educated Islamic law and away from its secularist heritage. Ms Ciller is also widely blamed for aggravating Tur-

key's home-grown financial crisis in 1994 through mismanagement and was instrumental in dragging out the formation of a caretaker government last winter. Ms Ciller catapulted herself on to the front pages a

week before the election by attacking Aydin Dogan, a media magnate. After one of his newspapers reported on Friday that her party could be closed because she had exploited religious themes result for Ms Ciller could a crime under the Turkish Islam" and having her picconstitution - at an election ture taken in a headscarf hopes for a strong two-party rally, Ms Ciller vowed to do away with the country's universities and state offices. "media cartel". In a display Looking for liberal support, of typical Ciller chutzpoh, a she has called for democratic former premier toppled by television station understood reforms and made unusually corruption allegations in to be controlled by her asso- bold attacks on the military



Çiller: projecting herself as champion of the poor

replaced Welfare after it was closed in 1997, by describing Islamic headgear banned in ciates aired an election for playing a role in politics. And in courting the

attacks on her. Ms Çiller has key's right to stop a Russian sought to poach votes from ship bound for intelligencethe Virtue party, which gathering on the Kosovo conflict (conveniently forgetting that Turkey is prohibherself as the "guarantor of ited by international treaty from closing the Bosphorus waterway to military vessels in peacetime).

 Turkish authorities yesterday banned for "security reasons" a rally by Hadep, the largest pro-Kurdish party, in Diyarbakir, the main city in the Kurdishdominated south-east, and nationalist vote, she accused arrested 300 supporters, Anabusiness centre-right which it said was behind Mr Ecevit of forgoing Tur- tolia news agency said.

RESIGNATION FALLOUT NEW FINANCE MINISTER IN JOBS PLEDGE Swedish PM tries to ride out storm

Göran Persson, the Swedish prime minister, kept a low profile yesterday as he attempted to limit damage to his government caused by the sudden resignation on Monday of Erik Asbrink,

"The job must be done and we will battle on," Mr Persson said as he entered a closed meeting with members of the Social Democratic parliamentary group to discuss the budget, which will be announced today.

Mr Persson came under attack from the media and the opposition over his leadership style, which has been characterised as authoritarian and is seen as the cause of many of the government's

for a new election had little

colleagues Senior ramained publicly support- ish membership of European ive and a telephone survey

showed he appeared to retain members' confidence

On his first day at work, the new finance minister, Bosse Ringholm, stressed continuity with his predeces-sor but added that with his background as head of the National Labour Board it was only natural he would stress the need for growth

"I hope to prioritise jobs and employment at the same time that I realise that the precondition for new jobs and employment is that there is a stable economy, that we meet our budget goals and have low inflation and interest rates," Mr

and jobs.

Ringholm said. He said after the difficult years of austerity, when the government had to restore order in public finances, he However, opposition calls looked forward to "growth with justice".

Mr Ringholm would not be drawn on the issue of Swedeconomic and monetary union, saying he was undethroughout the country cided on the metter and

would wait until the party had discussed it fully before making up his mind.
"Mr Ringholm is best

described as a loyal co-worker. If Mr Persson had finance minister he would have appointed someone else," said Peter Lindquist, HSBC economist.

He said that although Mr Ringholm emphasised jobs, this was unlikely to endanger the policies of fiscal consolidation that have broad support in the government and the SDP. The budget is expected to

show the country's public finances in a strong position but to be characterised by Mr Ringholm's predecessor's caution towards tax cuts. There are also expected to be some details of plans for lower income tax at the cost of higher energy taxes.

In the corporate sector there is expected to be proposals that will allow companies to buy their own shares and a move to allow company accounts to be reported ians over the tunnel's secu- plicated by operational

two joint safety exercises

Italian trans-alpine lorry

freight went through the

Italian failures cited

in Mont Blanc report

French experts yesterday rity. blamed Italian failures for disastrous fire in the jointly run road tunnel under Mont Blanc in which at least 41 in the ageing 35-year-old sinpeople are known to have gle gallery tunnel, which A preliminary official

report, carried out at the request of the French transport and interior ministries, had as much to answer as said yesterday that Italian efforts to activate a system of smoke extraction inexpirately failed when a Belgian and neither had approved lorry caught fire near the middle of the 11.6km tunnel linking France and Italy. instead of setting off an automatic smoke extraction system, more air was pumped through vents in the tunnel, so fanning the flames, according to Michel

The Italian operators were also taken to task for apper-ently failing to have at their tunnel entrance any effective equipment to combat no person with specific com-fire before the fire brigade petence in security matters, arrived from the nearby town of Cournayeur.

Marec, one of the report's

But the report also laid bare the poor coordination

responsibility being split in It detailed a long list of the middle of the tunnel, exacerbating last month's incompatibilities and while the French frontier showed the disaster was an covered 7.6km of the tunnel. accident waiting to happen Despite safety upgrading, the report noted that neither was handling too much traffic with insufficient fire prevention investment. In this, the report said the French system of evacuation. their Italian colleagues. Only The report noted 12 previ-

> proper testing of procedures inside the tunnel. Yesterday, Pierre Duffé, a engines overheating due to senior civil servant who headed the investigation. spoke of Italy and France both being "reticent" over above sea level. safety because of the com-The death toll in the mercial consequences of

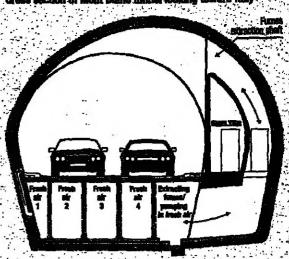
closing the tunnel. A Franco-Italian inter-governmental commission responsible for monitoring tunnel operations met only once a year, and contained even though half all Franco-

side had installed sufficiently powerful smoke and without any alternate

ous fires involving trucks, the most serious in 1990; but all were quickly brought under control In four cases, the fires had been caused by pulling heavy loads up a steep gradient to reach the tunnel, which is over 1,200ft

March 24 fire could reach as high as 45. The tragedy began just after 10.45am, when a Belgian articulated Volvo truck carrying margarine and flour to Italy was shandoned on fire in the central section of the tunnel.

The report said it was not clear whether the lorry caught fire inside the tunnel or already had an unnoticed fire on board. Investigators



questioning Volvo, the Swed-ish truck group, to check any potential cause in the motor and electronics of the

Volvo said it was co-operating with French police and accident inquiry experts into minutes but air blowing from the Italian side comthe cause of the fire. Of the 113,000 FH trucks produced by Volvo, fires have been reported on 15 vehicles

The company said it had no reason to suspect any common system fault on the truck. It added that all previous incidents were caused by unrelated problems, such as hauliers overloading electrical circuits or failing to maintain trucks properly. The fire was detected

tion ducts instead of opening the fume extractors is believed to have played a

French and Italian control-lers but at least 24 trucks

and nine light vehicles were

trapped in the blaze of tem-

degrees. Fire fighters from

Chamonix and Courmaveur

in Italy arrived within 20

bined with intense heat and

smoke made fighting the fire

In these conditions, the

Halian error of numping in

more air through the ventila-

part. Additional reporting by Tim Burt in Stockholm

NEWS DIGEST

LIPPONEN REMAINS PRIME MINISTER

Finnish parties agree to form new coalition

Five political parties in Finland yesterday agreed to form a new coalition government after more than three weeks of talks aimed at securing a common policy programme. The talks, initiated after inconclusive results in a general election last month, centred on fiscal policies, employment and

Party negotiators from the Social Democrat and Conservative parties - the two largest parliamentary groups in the so-called rainbow coalition - also agreed on a new allocation of ministerial portfolios with their pertners from the leftist Alliance, Green and Swedish Peoples parties.

Under the multi-party deal, Psavo Lipponen, leader of the Social Democratic party, will continue as prime minister, while his Conservative party counterpart, Sauli Nilhistö, is to remain finance minister. Tim Burt, Stockholm

FINANCE MINISTRY

New German appointments

Calo Koch-Weser, who has spent the last 26 years rising steadily through the ranks of the World Bank in Washington, has been appointed to the top international job in the German finance ministry. Mr Koch-Weser, one of the Bank's managing directors, will replace Heiner Flassbeck, the controversial Keynesian economist, as secretary of state for international affairs. A German and Brazilian national, he has had experience working with numerous governments across the world since joining the Bank as a

Young professional" in 1973. Hans Elchel, the incoming finance minister, has also appointed Heribert Zitzeisberger, head of the tax department at chemical company Bayer, as his deputy responsi-ble for tax affairs. Robert Chots, Economics Editor

SINGLE CURRENCY

Brussels firm on euro deadline

The European Commission yesterday acivised against any shortening of the three-year transitional period between the launch of the euro last January and the planned introduction of bank notes and coins for the single currency on January 1 2002.

Responding to a Belgian government proposal to cut the transitional period, the Commission warned that "a reduction in the three-year transitional period could give rise to technical problems of such severity as to jeopardise the emooth transition to the euro".

The Commission said the time needed to produce euro coins and notes, the changes required for information technology systems, the complexity of converting public administrations to the single currency and the lagal risks of possible claims against any decisions to shorten the three years were important obstacles to change. In addition, it stressed that a large part of the success of the euro to date lay in respecting deadlines. Peter Norman, Brussele

EUROPEAN TRANSPARENCY

Bank to job

blic project

34.7

Inquiry into public access

The independent European ombudsman has contacted the European Central Bank and two other recently created European Union institutions to establish whether they have adopted and publicised rules on public access to their

Jacob Söderman, the ombudsman appointed by the European Parliament to Investigate possible cases of maladministration, launched the inquiries in the interests of promoting transparency, "good administrative behaviour" and good relations between Europe's citizens and the bodies concerned. He gave the ECB, together with the European Agency for Safety and Health at Work in Bilbao, Spain, and the Community Plant Variety Office in Angers, France, three months in which to respond. Peter Norman

ROUBLE DEVALUATION EFFECT

Russian output up 2.5%

The Russian economy showed a modest improvement in February as a result of the devaluation of the rouble during the financial crisis last August. Industrial output grew by 2.5 per cent over the previous month and there was a modest rise in domestic investment, reflecting both strengthened exports by Russian companies and import substitution for cheaper locally produced goods.

\$1999 Exist & Young III

The Russian European Centre for Economic Policy, the Moscow-based organisation that analysed the data based on official statistics, warned domestic demand remained depressed and structural economic reforms were needed if growth were to be sustained. Andrew Jack, Moscow



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FROM THOUGHT TO FINISH."

US ELECTION FUNDING A RECORD LOW OF ABOUT 12 PER CENT OF TAX FILERS CHECKED OFF THE PUBLIC DONATION BOX ON THEIR TAX FORMS IN 1998

Americans start to shun campaign donations

By Deborah McGregor in Washington

As millions of Americans scramble to meet tomorrow's tax filing deadline, federal people will do one small task: put a check mark in form to send \$3 to the presidential campaign fund that serves as the main pot of public money for election

It is a part of the annual

filers in recent years, giving four tax filers to donate. rise to concerns that there which they are entitled.

the small box on the tax public matching funds to ment and distillusionment public donation box in 1998.

tax-time ritual that has from twenty-five years ago finance analyst with Com- although not for any individ- from individuals are match- clean up the perceived fallen off the priority list for when the check-off was first mon Cause, a citizens' group ual campaigns, which still able at a rate of \$250 per abuses in campaign finance

The decline is attributed to will not be enough money to a growing sense of citizens' election officials are hoping go around next year when alienation from the political primary candidates from process. "In recent years, both parties try to collect the people's anger at the govern-A record low of about 12 led them to see this as simper cent of tax filers - fewer ply throwing money at the than 15m - checked off the politicians and they don't want to do it any more," said used to pay for the expenses That was down dramatically Ed Davis. a campaign of the general election.

ity in government.

The money raised through the check-off is used for several purposes. It provides funding for the parties' nominating conventions. Republicans will hold their convenwith politics generally have tion in Philadelphia next summer, while Democrats The public funds are also

an increasing number of tax introduced, drawing one in that lobbies for accountability on the traditional fund-donation. raising techniques that have Officials at the Federal drawn much criticism in Election Commission recent election cycles but suggested that it is unclear

enough support to change.

financing shortfall will be much lower payout to pri- ernment in politics. Instead felt in the matching funds mary candidates starting many individuals seem to be for primary candidates. Can-next January. didates can qualify for matching funds by raising at check-off was originally least \$5,000 in each of 20 established in the poststates. Only contributions

which no one has mustered just how much of a shortfall will eventually emerge, but The main impact of the it is likely to result in a

Ironically, the tax form Watergate era as a way to

practices and relieve the reliance on large corporate donations in the US system.

It was felt that individual contributions would be one way to offset the dominance of big business and big govturning away from contributing to a campaign system they see as increasingly corrupt and awash in special interest cash.

Neighbours raise their barricades as Colombian factions export violence

Some observers feel the danger is being overplayed by regional leaders keen to

which carpet Colombia's border with Panama provide the perfect cover for the extensive movement of drugs, weapons and the activities of Colombia's warring armed factions.

The Darien Gap - as the area is known - appears to be turning into the centre of border friction between wartorn Colombia and its peaceful northern neighbour. Last week Ernesto Pérez Balladares, president of Panama, said he would send police units to the border area. But Colombian violence is not just spilling over into Pan-

Since the beginning of March three other neighbours - Ecuador, Peru and Venezuela - have beefed up their military presence to protect their frontiers with

Early last month Ecuado- By Adam Thomson in Bogotti rean soldiers were sent to protect oil installations near Uniformed Colombian zuela now bas 30,000 troops deployed along its 2,219km flight in what appears to be frontier with Colombia. The an alarming escalation of Peruvian government has action by the country's sent troops to the border, set leftwing guerrillas. up new border control posts and reinforced its airforce in crew members of a domestic

opments has been a steady increase in guerrilla fighting policed border regions. In talks with leaders of the of a quick settlement to the

at any time in its 35-year history with 12,000-15,000 memacross the border in Ecuador and Panama. In Panama they have been pursued by

extortion and kidnapping rackets in the Venezuelan border states of Tachira. Apure, Barinas and Zulia. "We pay the guerrillas more than we do in taxes," said

During a recent visit to the border town of Guasdualito in Apure state, Hugo Chavez, Venezuela's president, threatened to retaliate against Colombian guerrillas if they "act in our territory". Some observers, including General Charles Wilhelm,

argued that these conflicts could threaten regional stabers, flee to sanctuaries bility. However, others suggest that the dangers are being overplayed and that regional leaders could be using the incidents for their own political purposes. Alberto Fujimori, presi-

> dent of Peru, whose successful elimination of the Shining Path guerrillas won him fame as a hardliner, has been the most vociferous regional head of state to draw attention to border problems. But there has been no significant incident in the border area between the two countries for several

> Analysts say Mr Fujimori is keen to create a new focus for nationalist sentiment dential elections, and follow

COLOMBIA BRAZIL

long-running border dispute with Ecuador last year. "The high-profile way Fuji-

suggests that he is trying to drum something up with all of this issue," said Adam mori deployed troops to the Isaacson of the Centre for

wave grows as passengers seized

The incident comes just a week before Farc is due to renew talks with President

BLM and FARC often enter country. The groups have taken to extention and even Admispring

FARC cross border but this is one of

FARC have adopted Ecuador as a kind of sanctuary from Colombian uthorities. They do not cause many

A. National I Receive Army guerrillas (ELN) Revolutionary Armed Forces of Colombia (FARC) C Right-wing paramilitary

ington-based non-governmental organisation.

Some analysts say that the border incidents arising from Colombia's armed conflict are now less severe than they were in the past. "When the situation was worse there was less reaction. Now that the situation has died down everyone is up in arms," said Alfredo Rangel, of the Bogota-based NGO Fundación Social. "Neither Farc nor the paramilitary groups have any desire

to export the conflict." Reports from Adam Thomson in Bogotá, Sally Bowen in Caracas.

Kevorkian sentenced to at least 10 years

By Nikki Tait and Elaine Szewcyzk in Chicago

prominent US euthanasia advocate who claims to have assisted in the deaths of more than 130 people since 1990, was yesterday sentenced to between 10 and 25

years in jail. Yesterday's sentence requires that at least 10 years be served.

Judge Jessica Cooper's sentence, handed down in a Michigan courtroom, followed a jury verdict last month which found the retired pathologist guilty of second degree murder in the death of Thomas Youk, a sufferer of Lou Gehrig's dis-

The jury had also found Dr Kevorkian guilty of unlawfully administering a controlled substance when he injected Mr Youk with lethal

drugs.
"You invited yourself to the wrong forum," Judge Cooper told Dr Kevorkian. We are a nation of laws...you must always stay within the limits of the

Judge Cooper said Dr Keyorkian had been out on bond to another judge when he injected Mr Youk; had not been licensed for eight years; and had deliberately videotaped Mr Youk's death and released the film to a TV network in an effort to force the courts to decide on the

When first charged with murder, the 70-year-old, who has had numerous brushes with the law and survived several trials on assisted suicide charges without being jailed, suggested he would starve himself to death if incarcerated, though he has backed away from this.

Dr Kevorkian acted as his own lawyer during the trial, a decision which led to courtroom confusion and appeared to hamper legal presentation of his case, but handed responsibility back to his legal advisers once the jury considered its verdict.

of Farc, now stronger than Southern Command, have make political capital, FT writers report he dense rain forests the Amazonian town of Iqui-Underpinning these develparamilitary units. Farc has conducted its

in Colombia, especially in thinly populated and poorly spite of the renewal of peace Revolutionary Forces of Colombia (Farc) and representatives of President Andrés Pastrana's government, few observers hold out any hope

Both Farc, the biggest of several leftwing guerrilla groups, and rightwing paramilitary forces frequently pay scant attention to commander of the US national borders. Guerrillas Army's Florida-based ing a settlement of Peru's

the border area, while Vene- gunmen have kidnapped the passengers of a commercial The 41 passengers and five

flight bound for the capital, Bogotá, were reported missing on Monday minutes after the 52-seater Fokker aircraft took off from the city of Bucaramanga. Later that afternoon

witnesses saw an armed group forcing the civilians off the aircraft, which had landed safely on a

clandestine runway in the north of the country.

Business leaders on Monday night fiercely condemned the kidnapping. The largest rebel group, the Revolutionary Armed Forces of Colombia (Farc), raises approximately 60 per cent of its multi-million dollar income through abduction.

This has helped Colombia become the world's leader in kidnappings, with more than 2.000 last year alone.

Rebels typically set up impromptu roadblocks and kidnap up to 40 people at a time in the hope that one or several of the victims are rich or important enough to pay a handsome release fee.

travel would threaten a method of transport thus far considered immune to guerrilla activity.

Andrés Pastrana's government.

But the application of the

"lucky dip" strategy to air



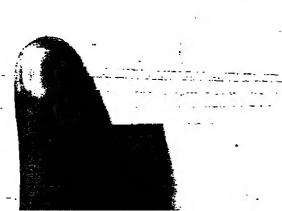


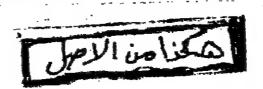
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Decrease measured barnees root





Kerorkian sentenced to at least

WORLD TRADE

INTERNET ACCESS IN CHINA NEW SYSTEM WILL COST LESS THAN PCs AND ALLOW USE OF TV SETS AS MONITORS

Chinese to compete with Microsoft

By James Harding In Beijing

A Chinese company is television access to the inter-report published in the stateplanning to challenge Micronet can be loaded on to a soft's latest project in China, which promises mass access to the internet by allowing much less than a personal people to use their televisions as monitors.

operating system created by Centre (SEC) of the government's think-tank, the Chinese Academy of Sciences, is intended to compete directly with the "Venus" project announced last month by Bill Gates, chairman of the world's biggest software

The main selling point of that the software needed for of Microsoft," he said in a video compact disc (VCD) or set-top box, which will cost computer.

The announcement that a The launch of "Nuwa", an Chinese company plans to rival a service unveiled by the Software Engineering Microsoft just a few weeks ago underlines how rapidly domestic businesses respond to product innovations in the Chinese market.

Zhong Xichang, director of the SEC, acknowledged that the Nuwa service had no technological advantages

"We also cannot compete should win a big share in both new systems will be with the market reputation such a large potential mar-

> owned China Daily. However, the company has established partnerships with more than 20 domestic electronics companies and plans to roll out the product later this year.

> China has 317m teleand 25 per cent telephone

ENVIRONMENT CASE ECOLOGY GROUPS WIN RULING IN BID TO SAVE TURTLES FROM BEING TRAPPED IN NETS

Mr Zhong suggested there Venus project will mean was a great opportunity for ordinary Chinese families can enjoy the internet in a development of the set-top box product: "We Chinese cheap way."

ret." companies such as Legend has resulted in foreign PC project will expose millions makers losing market share more people to the internet to rapidly emerging domesand is working with some of tic rivals. Compaq Computer of the the best-known names in

vision sets, 40m VCD players of Legend, China's largest personal computer maker penetration, according to and one of Microsoft's part-Ministry of Information pers in the Venus project, industry figures quoted in was quoted as saying: The introduction of the

the Chinese electronics

market to develop the prod-

In China's personal computer market, the rise of

US, for example, was China's market leader in 1994 with a 21 per cent share of the mar-Liu Chuanzhi, president ket, but it now has 9 per if Legend, China's largest cent while Legend has 14.5 per cent, according to Chinese market figures.

Recently, Hewlett-Packard and IBM have been offering desktop computers at sharply cheaper prices in order to win back market share from Chinese competi-

Clinton on China deal

By Mark Suzman and Mancy Dunne in Washington

US senators yesterday criticised the White House for failing to secure a deal with China on its joining the World Trade Organisation but said they hoped an agreement could still be

Frank Murkowski, an Republican. Alaskan expressed concern that "lack of political will within the White House" had prevented President Bill Clinton signing a deal with Chinese Premier Zhu Rongji during a visit to Washington last week. "The White House should not blame a poisoned atmosphere in Congress for killing a deal that they are too timid to put forward," he said at a hearing of the Senate finance committee. "A good economic deal may indeed have been sacrificed on the altar of political ineptitude, incompetence or expediency."

Speaking at the hearing, Charlene Barshefsky, US trade representative, defended the decision to delay making a final deal. She said that while China had made a wide range of concessions during trade negotiations, several probms needed to be resolved. In particular, more work needed to be done on issues such as banking, securities

and dumping regulations. However, she expressed optimism that an agreement would be reached in the "not too distant future" and rejected the charge that China might walk away from the deal. "I do think the Chinese will continue to engage with us because they do see light at the end of the

According to several reports, President Clinton and Premier Zhu virtually concluded a market access package but the US decided to wait until the domestic political atmosphere improved before announcing

NEWS DIGEST

SEMICONDUCTORS

Taiwan to investigate anti-dumping complaints

Taiwan has agreed to investigate an anti-dumping complaint by the island's semiconductor industry against US memory chip makers including Micron Technology. The investigation follows a series of similar actions by US chipmakers, including Micron, against Taiwanese rivals.

Analysts said it was not clear if the economics ministry's decision to investigate the complaint by the Taiwan Semiconductor Industry Association would result in punitive

measures. The ministry said it would make a final ruling in Novem ber on whether Micron and US chipmaking units of South Korea's Samsung and Hyundai Electronics dumped D-Rams, or dynamic random-access memory chips. In the Talwanese market. US officials have been considering similar allegations against Taiwanese chiomakers.

Falling prices caused by over-capacity in the volatile memory chip market have sent many manufacturers into the red and prompted complaints of unfair pricing. Mure Dickie, Taipei

PANAMA CANAL

Year 2000 alert for shipping

The Panama Canal is to insist that ships' computer-guided systems are Year 2000 compliant when they use the waterway at the beginning of next year. Vessel owners, operators or captains will have to show that ships' steering and propulsion systems and power plants will not fail due to embedded microchips not recognising the change of date from 1999 to 2000. Controls such as tug escorts could be imposed on vessels not able to demonstrate

adequate computer systems. Any 'millennium bomb' problems on January 1 would be highly embarrassing given that they would come at such a crucial time for the canal. Its ownership and administration is due to transfer from the US to Panama at midday on December 31.

Miguel Rodríguez, the acting chairman of the canal's board of local inspectors of vessels, said: "Since we operate ships in confined spaces, we are concerned about the potential problems this might represent to the canal." Up to 40 ships use the canal each day, often passing through locks with berely a metre of clearance. James Wilson, Panama City

POULTRY TRADE

Mexico puts pressure on US

Mexico has imposed phytosanitary restrictions on US poultry products in a bid to pressure the US into opening its market to Mexican livestock. US exporters say the measures will cost them \$50m-\$100m in lost trade. The new animal health regulations, which went into effect on Monday, are the first time Mexico has tried to restrict imports of livestock products. The rules require the US to test for a low grade form of avarian influenza, a poultry disease. Mexico is the only country to require the testing procedures which are not compatible with US practices. Few producers are willing to make the costly transition, which they say has no scientific basis. Andres Mandel-Campbell, Mérida, Yucatán

Legal wrangle engulfs US shrimp dispute

coalition of US terday said it had won an initial ruling from the US Organisation dispute settle-

The ruling by the New US obligations to abide by the WTO judgments - a con-

However, environmental groups forced the issue by efforts to protect turtles from becoming trapped in

turtles in the world are listed as endangered on the TEDs. US Endangered Species Act

It is estimated that 150,000 environmental groups yes- turtles drown in shrimp nets each year.

However, in April 1998 a Court of International Trade WTO dispute settlement (CIT) which could handicap panel upheld a challenge by US efforts to comply with a India, Pakistan, Malaysia decision by a World Trade and Thailand against a US embargo on imported shrimp from nations without programmes which reduce the York court pits the issue of number of turtles caught in national sovereignty against nets. The only known means of protecting turtles is through the use of turtle flict US trade officials try excluder devices, known as TEDs.

To satisfy the WTO panel, the State Department tinappealing against the US kered with its regulations plan to comply with the and proposed allowing WTO ruling against US shrimp imports from countries without turtle protection statutes but which were willing to certify that indi-Six of the seven species of vidual shipments of shrimp were caught in nets using

Environmental groups say list, the World Conservation the US can only provide real Union Red list, and by the protection for turtles with



Turtle-safe shrimp note in use off the coast of Georgia, US. Environmentalists object to a WTO ruling est a US ben on imports of stylings caught with nets that can trap rare furties

dards, which require the use likely to go to appeal.

of TEDs by all trawlers. "The CIT ruling will compel the US to return to nation-by-nation standards." said Peter Pogazzotto of the Sea Turtle Restoration Project, one of the groups which

filed the case. A State Department offi-

"nation-by-nation" stan- cial said the CIT ruling is ject to the manipulation of the US," he said.

In the meantime, the US will continue efforts to get a was recommended by the multilateral agreement WTO panel. The US among countries on the Indian Ocean to protect the sea turtle.

"Countries feel species protection is a sovereign issue and shouldn't be sub- tiations, the official said.

The multilateral approach attempted to get talks going before the WTO decision but was rebuffed. However, since the panel ruling there has been more support for nego-

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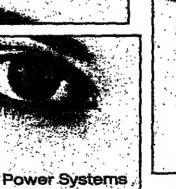
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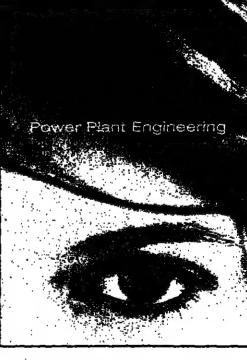
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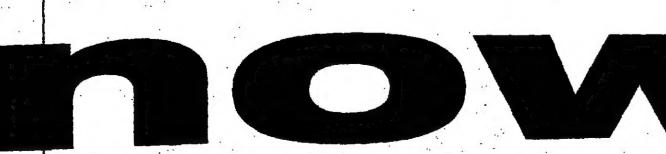




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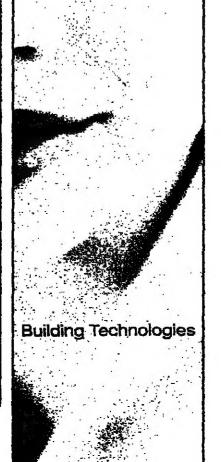




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China admits to 12,000 wrongful verdicts

By James Harding in Beijing

China yesterday offered an unusually frank assessment law, reporting 12,000 wrongment officers for bribery and abuse of power last year.

The show of transparency and self-censure in the Chinese legal system coincided jing defending China's with Tibetans being given a meeting the economic and record on human rights.

The State Council (cabinet) released a 13,000-word tion the government's crack- over political rights. conof the problems it faces report listing improvements implementing the rule of in China's human rights sit- Democracy party at the end uation in 1998, a riposte to of last year. ful court judgments and the US move this week to prosecution of 7,000 judicial criticise Beijing at the UN officials and law enforce- Human Rights Commission's annual meeting in Geneva.

The Chinese human rights report, carried by the official Xinhua news agency, said that millions of people had with a statement from Bei- been lifted from poverty.

greater role in government. But Beijing did not mendown on the banned China

Leading pro-democracy activists who set up the largely symbolic opposition party were given prison sentences of between 11 and 13 years at the end of 1998 on charges of seeking to overthrow the Chinese state. China, which argues that

social needs of its huge pop- retary of state for global ulation must take priority affairs, told the UN human rights body that, while there had been improvements, "a ceded it had its faults but called for dialogue rather huge amount of progress than confrontation on remains to be made". human rights: "The Chinese The mishandling of legal government is willing to cases also reported yesterlearn from other countries'

ened human rights protecting human rights". tion efforts in every aspect On Monday, the US criticised China for continuing to of law enforcement". China had nearly 1,500 harass and detain democracy cases involving illegal cus-

useful experience in promo-

retaliations or frame-ups, the official statement said. Government departments have also granted compensation to 161 litigants involved in mishandled cases and redressed excessive periods

of detention in 729 criminal

day was intended to show how China has "strength-Courts had re-examined 4.56m cases altogether, finding misjudgments in some 12,000 cases. More than 11,600 cases had been cor-

Malaysia tones down rhetoric in face-off with Singapore

Tensions have given place to sharing in today's defence

exercises, writes Sheila McNulty

alaysia and Singapore today launch joint represent a sharp turnround from last year, when it seemed they were aching to fight each other.

The exercises are to be conducted in the context of the Five Power Defence Arrangements (FPDA). suspended last year when Malaysia startled its four partners by withdrawing stoke nationalism and rally from regular exercises in August saying it would reassess its membership.

Kuala Lumpur gave the economic crisis as the reason; diplomats felt sure that its insecurity compared with Singapore, which has fared better throughout the crisis,

with Singapore over a long agreed to buy eight US-made list of disputes, ranging from Malaysia's refusal to close a railway station on Singapore's territory to Singapore's refusal to loosen curhs on the release of money Malaysian workers contribute to Singapore's

national pension fund. Malaysia even went so far as to seize control of airspace it had shared with Singapore for decades.

With the administration of Mahathir Mohamad under pressure after the sacking of Anwar Ibrahim, his popular deputy, analysts say he used Singapore as a bogeyman to support.

Diplomats believe Singapore heightened its guard when relations were most strained, though Gob Chok Tong, its prime minister. denied that in an interview, playing down the significance of recent efforts to uperade its armed forces.

and shipped eight jet aircraft to France so its pilots could train in Europe.

"We have a philosophy of constant expenditure every year," Mr Goh said. The defence ministry tries to keep it to about 5 per cent of gross domestic product, which for 1998-99 amounted to S\$7.3bn (US\$4.3bn). Equipment has to be

replaced every year, so there

is a cycle for replacing aircraft, ships and so on. If we haven't got the funds, we'll not be replacing them. Since we have the funds, the programme of replacing them carries on." Not only do such regular purchases keep Singapore

prepared, but its numerous training missions abroad serve to tie in foreign countries to the defence of the city-state's 3m people.

Singapore took another big



crisis when it offered the US naval berth facilities. Teo Chee Rean, second

defence minister, said Singapore had long believed the minister, told the local US presence in the Asia-Pacific region was vital for sta-

Diplomats say security relations between Singapore and the US are growing better. Malaysia meanwhile, is strengthening ties with Russia. They were reported to Defence Ministry was also step early in the economic have signed a pact this reducing the intake of regu-

co-operation.

Abdullah Fadzil Che Wan, Malaysia's deputy defence media that the country was being forced to cut weapons purchases and production by up to 30 per cent because of the economic recession.

Last year's budget set aside M\$8.73bn (US\$2.3bn) for security and defence. The

lar soldiers to focus on build-

But despite being forced to admit it is cutting back while Singapore forges ahead, Malaysia has toned down its rhetoric against its

Abang Abu Bakar Abang Mustapha, defence minister, says Malaysis takes seriously the FPDA exercises. and wants to build them into its defence strategy. So this year's games will go on

Malaysia

prepares

verdict

By Shella McNulty in Kuala Lumpur

prime minister.

for Anwar

Malaysian police armed with batons took up position last night around the High Court in Kuaia Lumpur, where a

judge is to announce his ver dict today in the politically

charged case of Anwar Ibrahim, the sacked deputy

A truck mounted with a

water cannon was parked nearby to break up any dem-

onstrations. But as dusk

of thousands who had taken to the streets in protest after Mr Anwar was sacked for being "morally unfit" to succeed Mahathir Mohamad as

prime minister were nowhere to be seen. The mass rally and subse quent candlelight vigil his supporters had announced

would begin before sunset did not materialise until close to midnight, and even

then only 300 people turned They appeared suddenly on a back street behind the courthouse and, away from

the police, lit candles and unfurled a long banner of

pro-democracy slogans, including "Free the People".

As they chanted reformasi, or reform, into megaphones a dozen police moved in to

break them up. The protesters marched away down the

street and those driving by

Anwar's saga on the people

tion by Abdul Rahim Noor,

who was then chief of police,

against him have awakened

Mr Anwar insists the

charges are part of a politi-cal conspiracy to keep him

from challenging the 18-year reign of Dr Mahathir. The

case has divided the nation

and split Dr Mahathir's rul-

ing UMNO party while emboldening the normally

cautious opposition to speak

out aggressively against the

But how much of a role Mr

Anwar can personally play

in continuing the people's

political education will

depend on the verdict. He

has so far been tried on four

counts of abuse of power.

each of which carries a max-

imum penalty of 14 years in

jail and a M\$20,000

(US\$5,260) fine. Mr Anwar

says he expects to be sent to

more charges are pending.

apolitical people.

honked their support.

NEWS DIGEST

CEASEFIRE URGED AS VIOLENCE GROWS

Indonesia offers to mediate in East Timor

Indonesia yesterday called for a ceasefire and offered to .. mediate in East Timor, where an escalation of violence between proponents and opponents of independence has threatened plans for a vote on the issue.

Ali Alatas, foreign minister, leaving a meeting with President B.J. Habible, said a commission of officials and Timorese faction leaders would be formed to negotiate an end to hostilities and allow for a vote on an autonomy proposal drafted by Jakarta. Mr Habible has vowed to let East Timor secode if the offer is rejected.

Clashes, some involving Indonesian military, escalated after a massacre of pro-independence activists in the town of Liquica and a subsequent call to arms by Jose Alex-

andre "Xanana" Gusmao, the jailed rebel leader. Diplomats in Jakarta believe Indonesia's military has armed pro-Indonesian paramilitary and may have participated in attacks on pro-independence groups in an effort to sabotage talks between Mr Alatas and Jaime Goma, his Portuguese counterpart, in New York on April 22. Separately, Aspar Aswin, West Kalimantan governor,

said yesterday that thousands of people who had fled ethnic violence in Indonesian Borneo would be relocated. More than 30,000 people who had fled to the provincial capital Pontlanak from the Sambas region, about 875 km (545 miles) north of "will be relocated to an island near Pontlanak", he said. Sander Thoenes, Jakarta

FIXED-LINE SERVICES

Taiwan drafts telephone rules

Taiwan has drafted rules under which local and international firms can bid to operate fixed-line telephone services, ending the state's monopoly, the telecommunications regulator said yesterday. Under the draft rules, which still need ministerial approval, bidders must have paid in capital of T\$40bn (US\$1.2bn). Some potential bidders had complained that the capitalisation requirement was too high and proposed halving it to T\$20 billion.

Some analysts say it is difficult to say how much the market is worth, and it could take up to 10 years to break even. However, they add, the market has the potential to be highly lucrative. Reuters and Mure Dickie, Taipel

TOO EARLY TO SAY RECOVERY IMMINENT

Japan's economic slide halted

Japan's economic slide has halted but it is too early to say that a recovery is imminent, the Economic Planning Agency said yesterday, its monthly report, echoing comments last month, said: "As private demand is weak, the economy remains in an extremely severe condition. But, supported by various government policy measures, it is stopping its decline."

The agency gave a slightly improved view of housing investment and financial market conditions but was more

negative on jobs.

Takashi Omori, head of domestic economic affairs at the agency's research bureau, said the main prop supporting the economy continued to be

the government's huge public works projects, and their effects would last at least until autumn. The Bank of Japan mirrored the EPA's view.

WATER-SHARING AGREEMENT WITH INDIA

Bangladesh faces shortage

Bangladesh may run short of water at the end of this month because of the water-sharing arrangement with india for the Ganges river, Abdur Razzak, flood control and water resources minister, said yesterday.

Unless it rains the Indians will not be able to fulfil their quota for water under the deal implemented 18 months ago, Mr Razzak said following a meeting of the Joint Rivers Commission in New Delhi at the weekend.

Farmers in some areas of Bangladesh already say that crop yields may be down 10 to 12 per cent because of a started of Irrication water. But Mr Bazzak said India had

shortage of Irrigation water. But Mr Razzak said India had also agreed to share the water of a second river, the Teesta, and six other rivers. David Chazan, Dhaka

BJP believes it will survive vote

India's ruling Bharatiya Janata party said yesterday the government could scrape the government could scrape through a tight vote of confidence if, as appears likely, a coalition pariner carries out its threat to withdraw support threat to withdraw support to bring them down," said Cho Ramaswamy, a solutional analyst in the different could scrape through a support to the country of th

Such a vote could swiftly

follow tomorrow's resump-

While the crowds have tion of the budget session of thinned, the impact of Mr parliament if J. Jayalalitha. the movie starlet turned polof Malaysia remains signifi-cant. His beating in detenitician, formally withdraws the backing of the 18 parliamentarians in her Tamil Nadu-based AIADMK party.
The colourful and politically steely Ms Jayalalitha and the charges of commit-ting sexual misdeeds and abusing his power to conceal flew into Delhi on Monday them subsequently filed from her south Indian base, complete with 48 suitcases, the consciousness of what for years had been a largely

promising to meet opposi-tion politicians and "find a good and viable alternative to the present government". Her threat, though merely the latest in a series since she helped form India's coalition government a year ago, poses the most serious threat yet to the frequently fractious BJP administra-

After Ms Jayalalitha failed to persuade Atal Behari Vajpayee, prime minister, to sack George Fernandes, defence minister, and set up a parliamentary inquiry into Mr Fernandes's recent dismissal of India's navy chief. she withdrew her party's ministers from the coalition

Rarlier demands have included that the BJP sack the incumbent Tamil Nadu state government, her chief jail for two to four years. Six | political rival.

Analysts in Madras, the

state capital, say Ms Jayalalitha's current moves spring from frustration that the BJP has not met all such demands in the past year.

political analyst in the city. Yesterday, from a base in Delhi's five-star Maurya Sheraton hotel, Ms Jayalalitha began a series of political meetings which are likely to include Sonia Gandhi, leader of the Congress party, and K.R. Naray-anan, India's president.

Ms Jayalalitha and Mrs Gandhi, who is seeking to rebuild India's oldest party into a resurgent political force, last week shook hands at a highly publicised Delhi "tea party", a gesture of reconciliation the Tamil leader described as symbolising an imminent "political earth-

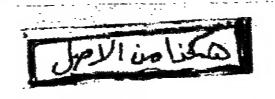
Congress, the second big-gest party in parliament, has since remained publicly coy about building any future and alternative coalition with Ms Jayalalitha, with whom it has been an ally in

However, BJP officials claimed the government could soldier on without Ms Jayalalitha's 18 MPs, even given its already slender parliamentary majority.

"We have enough support. we will demonstrate it as and when questioned," said Venkaiah Naidu, party spokesman. "We are getting positive indications of support from parties that want a stable government for this

nnovation. New ideas don't Innovation drives the semiconductor industry. For more than 30 years Applied Materials has provided reliable leading-edge technology to the world's chipmakers. Whether it's unique solutions for high-speed transistors, or a production-worthy approach to advanced copper interconnect, the industry turns to innovative technologies from Applied Materials. But perhaps our most significant innovation is our ability to reduce our customers risk as we help them become more productive. -Total Innovation. One of the Total Solutions from Applied Materials,

THE INFORMATION AGE STARTS HERE



APPLIED MATERIALS

Concern over merging parket rescui

in East Timor

Service

drafts telephone rules

BURNEY AND THEY ATHER

ladesh faces shortage

IP believes!

Il survive so

a offere in Algeria's Islamic party may be absent from the election but it is far from forgotten

t is seven years since its imminent election sparked Algeria's bloody civil conflict. Tomorrow no official Fis candidate is standing for president, but no candidate can ignore the party. Roula Khalaf reports

Front is supposed to be to talk to former Fis repredead and buried. The sentatives, though be has no party whose Islamist ideol- intention of rehabilitating ogy and populist message the party. captured Algerians' feelings of discontent and threatened to sweep away the military- in the election a chance to Since then, the Fis has been demonised and blamed for much of the violence that

country. elect a president tomorrow, it finds the Fis is still the ghost at the banquet. The of the most serious contend- social trustrations bred in election is dominated by caners. didates calling for a political solution to Algeria's crisis, who favour in one way or another, inclusion of at least some of the former Fis mem-

the former foreign minister will get two very different seen as the army's candidate reactions. One is a smile to

The Islamic Salvation president, says he is willing longer threaten Algeria.

At the height of its popularity, the Fis was a nebu-lous movement which Alge-Encouraged by the dis-course, Fis leaders have seen With charismatic leaders

packed regime was banned and their political marginal and a radical anti-regime the Fis also is no longer the nore than seven years ago. isation and are backing rhetoric, it managed to capi-Ahmed Taleb Ibrahimi, one talise on the political and

has ravaged the North Afri- Even if the Fis were to form a political But as Algeria prepares to party, this would not end the killings

That the Fis remains a fac- first round of legislative elector in Algerian politics only tions in 1991, the Fis won

bers in politics.

Even Abdelaziz Bouteflika, difficult to gauge. Mention the Fis in Algeria and you

the one-party state. In the difficult to gauge Mention those eligible to vote cast their ballot for the Fis. The second round of the vote was

Since then, the regime has dealt the Fis as a party

remains a fond memory as many blows. Its leaders are the only movement that either in jail, under house dared to challenge the arrest or banned from politiregime. The other is a sigh cal activity. Its armed wing of relief that a party whose declared a ceaselire more existence and ideology led to than a year ago, and has so much bloodshed can no received virtually nothing in return, in spite of promises of concessions by the

regime. The truce was nego-tiated with the armed wing rian sociologist Lahouari directly, bypassing the politi-Addi refers to as "a senti- cal leadership and it led to splits within the party. Reopening dialogue with only prerequisite to national reconciliation in Algeria.

Allowing some part of the Algerian politics again would be important to healing the political crisis and removing any legitimacy armed groups may claim for continuing the violence. But even if the Fis were to form of the political system and . This was highlighted last a political party, this alone partly explains its return to 47.6 per cent of the vote. But by independent shadowy deny violence should be ical party promoted as a doctor political arena.

there were many abstentions groups or substitute for a allowed to express them the alternative to the Fis Its weight on the ground is and fewer than 25 per cent of transition to democratic selves, including those who lined up behind Mr Boutecivilian rule.

"The debate over the Fis is" a fake debate, the problem is because of the failure to Fis," says an official close to strong opposition parties Djballah, another indepen-

were Fis supporters."

haunt Algeria. "Algeria needs an opening an end to the emergency flika in the election. The Indeed, it is in large part move was in part aimed at taking votes away from Mr

The Fis has made a symbolic gain already by showing that even while banned week when the leadership of it could try to influence the

would not end the killings rule. Then, all those who the main legal islamist political scene and back a mand is ready for such a sentatives are now harbournow much broader than the allow the emergence of Ibrahimi and Abdallah bly mellowed, most no lon-moderate Fis is not likely to

tional rules.

Whether the army comcandidate. Some Fis repre- move is uncertain. But ing the hope that even if Mr the leaders that moved the Bouteflika is elected they crowds, and having accepted would get something out of that violence is not a viable this poil. Having considera- alternative, a smaller, more ger dream of a return to pose any threat to the Alge-



By Richard Waters in New York .

ing market countries, a private bond market debt. group representing leading

capital markets, said Charles such moves should lead to of the Institute of Interna- exchanges or refinancings. tional Finance.

could be made more stable after the turnoil of the two years; its main recommendstions: that it was up to inditer relationships with their foreign creditors and to case resolutions to their pri- and Brazil. vate debt problems.

trai bank governers ahead of this month's World Bank IMF meetings in Washingdangers of trying to "bail-in" any official rescue package. Such efforts would be "misguided" and "likely to jeopardise" a country's

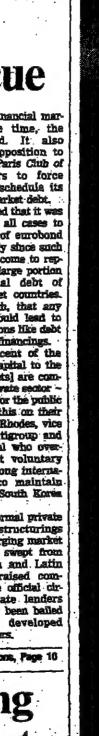
access to the financial mar kets for some time, the Any attempt to force private group warned. It also sector lenders to take part in repeated its opposition to official international ball- efforts by the Paris Club of outs could stall the financial official lenders to force recovery of troubled emerg- Pakistan to reschedule its

The IIF claimed that it was international banks and not opposed in all cases to bondholders said yesterday. renegotiations of surobond Any such move would debt, particularly since such scare lenders away at the securities have come to repvery moment when they resent a much large portion were most needed by coun- of the external debt of tries looking for a way to emerging market countries. return to the international it added, though, that any

"Ninety per cent of the His comments came as the flows [of new capital to the organisation published its emerging markets] are comown thoughts on how the ing from the private sector world's financial system it is impossible for the public sector to solve this on their own;" said Bill Rhodes, vice chairmen of Citigroup and the bank official who over vidual countries to build bet- saw the recent voluntary agreements among interna-tional banks to maintain reach voluntary, case-by- credit lines to South Korea

The lack of formal private in an open letter to sector debt restructurings finance ministers and cen-during the emerging market crisis that has swept from Asia to Russia and Latin America has raised comton, the HF warned of the plaints in some official circles that private lenders private sector creditors in have effectively been bailed out by the developed nations' taxpayers.

World Bank tensions, Page 10



Early warning forum to meet

By George Graham, Banking Editor, in London

Regulators, central bankers and finance ministry officials are to gather in Wash-ington today for the first rities Commissioners (losco), meeting of the financial stability forum, a new body set up to improve co-ordination problems. and act as an early warning system for financial market sceptical about regulating The meeting will be

president of the German and securities firms which Bundesbank, who recome trade with them monitor mended the creation of the forum in a report for the funds more closely. Group of Seven finance ministers after last year's mar- already facing criticism,

was spurred by the furmoil tional institutions such as that followed Russia's the International Monetary default on its domestic debt Fund. and the near-collapse of the tis success will depend on Long Term Capital Manage its moving very quickly to ment (LTCM) hedge fund, broaden participation will subsequently be chaired beyond the G7 and involve by Andrew Crockett, general major emerging market manager of the Bank for countries on an equal basis," International Settlements said Alice Rivlin, vice chair-

"It would be wrong to con- Reserve. sider the forum a crisis management mechanism its pur- do without making the pose is to contribute to a forum unmanageably large, proper functioning of mar- but unless a way is found to kets," Mr Tietmeyer told do so, the forum will be an

Hedge funds will be one of the first items on the Personal View, Page 10

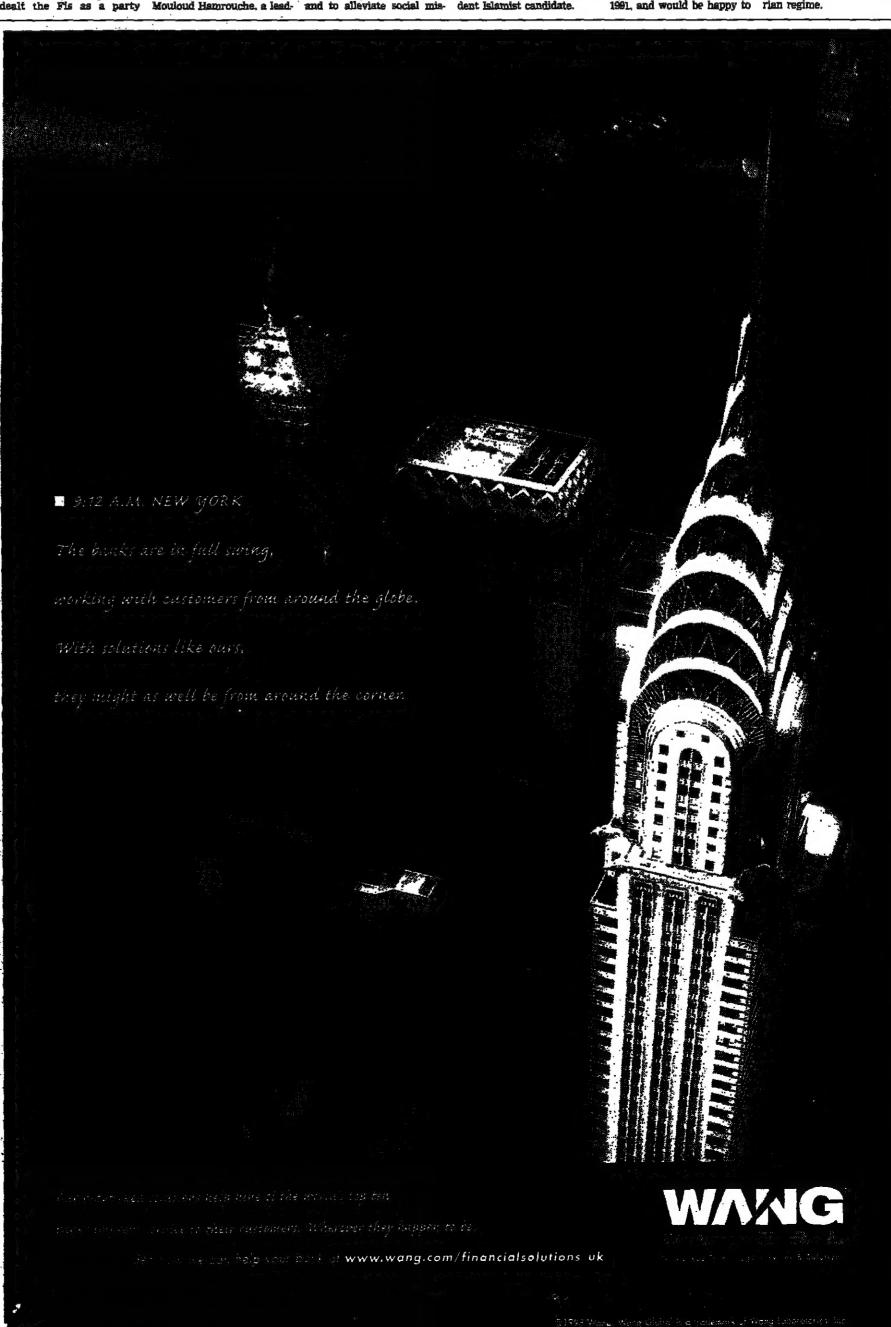
meeting in the Basie Committee, under the auspices of the BIS, as well as securities regulators in the Internahave been looking at ways of avoiding a repeat of LTCM's

Though regulators are hedge funds directly, they have spelt out ways of ensuropened by Hans Tietmeyer, ing that the regulated banks their exposure to hedge

The forum's structure is because it is limited to G7 The forum, whose creation countries and to interna-

man of the US Federal

"This is, of course, hard to VWD, the German news anachronism before it gets started."



JOBS BLOW FOR LABOUR PARTY POLL CAMPAIGN

Kvaerner puts Scottish shipyard up for sale

The governing Labour party suffered the first serious elections to the forthcoming Scottish parliament yesterday when the last merchant lost in Glasgow because of shipyard on the upper River Kvaerner's decision to with-Clyde was put up for sale.

But Donald Dewar, chief minister for Scotland, told the Financial Times that people should not "write off shipbuilding in a final way" following the decision by trol of the parliament, Kvaerner, the Anglo-Norwegian group, to sell its said the Kvaerner decision Covan yard and Clydebank was a "severe blow" to engineering works in the city of Glasgow.

Mr Dewar, announcing a government taskforce to ssist the search for a buyer, said: "I don't know whether we will be successful. All I can say is we will give it our best shot. I heard somebody talking about the end of the Clyde. Not so. I would hope Govan will be part of it. But leaving that on one side, it's of uncertainty, not the end of the Clyde."

for Ferguson, a merchant shipbuilder on the lower dock terminal at Port Glasgow and recent jobs created blow to its campaign for by US financial services

Up to 2,000 jobs could be draw from shipbuilding. Worldwide, 13 yards have been put up for sale.

The Scottish National party - which is trailing Labour in the battle for conaccording to opinion polls -Govan. It accused the government of failing to show the necessary commitment

Mr Dewar, insisting the Scottish economy was in good shape, said: "If you are worried about the future of Scottish industry, the road from independence would be littered with debris. It would create an enormous amount

He claimed jobs at Rosyth He pointed to new orders dockyard and the Marconi devolution is the ability to



Clyde would be at "terminal risk" if the SNP won the

election, on May 6. Mr Dewar insisted the policies opposed to those adopted by the UK Labour own way, and the essence of

Marine naval yard on the do that, then we are entitled fact that the Scottish parlia to do so," he added.

Scottish administration government in England. would retain "a measure of Scottish Labour party would control" over business rates there could be a new assess-have the freedom to pursue after planned reform, to ment of public need across not put at risk the competiparty. "If we decide to go our tive position of Scottish companies

Mr Dewar welcomed the

ment could drum up public But he said a Labour run support for elected regional

ensure local councils could the UK in the medium to long-term, which might lead to a reduction in the Scottish

ties or the prices." The company is introducing a flat tariff for contract ers. It is also abolishing any differentiation between local and national calls. This will make it cheaper than BT's standard fixed-line charges recycling lithium-ion bat-

Price war

erupts in

mobile

phone

market

By Christopher Price

fied tariffs.

A fresh price war erupted in

the mobile phone market

last night when One-2-One,

the mobile phone network

offered for sale last month, slashed call rates and simpli-

The company is also

Analysts said the price

cuts of up to two-thirds on

peak rate consumer calls

would make One-2-One the cheapest network by around 20 per cent, ahead of Cellnet,

Orange said it was "very

likely" to match One-2-One's

tariffs but would issue

statement when it had stud-

Tim Samples, One-2-One

managing director, insisted

the group's initiative was

aimed at attracting fixed-line

customers from British Tele-

communications, the former

state monopoly, rather then taking market share from

the other mobile operators.

these moves, but our main

target is BT," he said. "We

want to appeal to that part

of the market that does not

have a mobile phone because

of either the tariff complexi-

"They may follow us in

ied the One-2-One move.

launching the industry's

first e-mail service.

Orange and Vodafone.

in some cases. The e-mail service will enable users to send and receive e-mail with their handsets, using the technology that underpins text

messaging services. Mr Samples said One-2-One aimed to increase the mobile industry's penetration from around 25 per cent, or 15m users, to 50 per cent

BT said customers aiready benefited from reductions of as much as 30 per cent through discount schemes. "We would ask our customers to look at their total bill, not just one or two areas where One-20ne claims to be

On the sale of the business. Mr Samples said there had been "significant interened yesterday with Sinn chairman, accused the two collective act of reconcilia- everything we can to help the proposed formula est from European and US Féin, political wing of the governments of "a Pontius tion to honour all victims of but unless the parties realise "moves away from the Good telecoms groups". He added that a public offering was still being considered. Analysts estimate the company, owned by Cable and Wireless and MediaOne, could be

NEWS DIGEST

SHIPBUILDING

German yard bids again for QE2 refit contract

b on hakespea A German shipyard that refitted the the QE2 in 1994 and led to what some passengers described as "the cruise to hell" is bidding to win another contract with the Cunard flagship, it was disclosed today. Hamburg's Blohm and Voss is one of three companies competing for a £19.5m (\$31m) refit and refurbishment contract for the QE2 this November. Cunard paid out millions of pounds in compensation to passengers when the first transatiantic cruise following the refit resulted in numerous problems on board. There were complaints of dark brown water seeping out of taps and toilets, unfitted carpets and cables strewn

But Cunard stressed today that it did not blame Blohm and Voss for the problems. Competing with the Hamburg company for the latest refit contract are Bremerhaven's Lloyd Werft yard and Southampton's A & P ship repair and conversion company, which carried out a successful £12m OE2 refit in 1996. A top design firm – Sweden's Tilberg Design – has been appointed for the interior design and refurbishment work.

BRUSSELS BEEF BAN

Experts examine abattoirs

European Commission veterinary experts are inspecting UK abattoirs this week as part of efforts by the European Union to lift a three-year ban on UK beef exports. EU agriculture ministers have already given political agreement for an end to the ban imposed after UK scientists identified a potential link between BSE - med cow disease - and the new variant of Creutzfeldt-Jakob disease, the fatal human

Exports cannot resume until the vets approve procedures for handling the meat. Administrative procedures mean it is unlikely that overseas sales can begin for several months. Mike Smith, Brussels

DIGITAL SATELLITE TV

BSkyB plans business service

British Sky Broadcasting, the satellite broadcaster, is talking to banks and retailers about offering them an exclusive business television service using digital technology. BSkyB has talked to Midland Bank and BHS, the iler owned by Storehouse, about developing a specially tailored service for their customers and staff. It has also talked to representatives of the travel industry. Sky Business, a new division, will develop the project. The company announced yesterday that it was offering the 30,000 pubs and clubs that subscribe to its analogue service a free digital system. It said it would freeze the price of subscriptions for at least 12 months from September. BSkyB has previously alienated some pub owners by raising prices. Cathy Newman, London

BANKING

Competition review widened

The review of competition in the UK banking sector is to be widened to include electronic commerce and consumer issues, Don Cruickshank, leader of the review, said yesterday. He also indicated he would not be deflected from his two main areas of concern - the supply of credit to small businesses and the money transmission market - following the responses he had received to the consultation document launched in January. Although there would be "no major changes in the overall scope of the review," e-commerce and its Inter-action with the money transmission market would be included. He said the review would continue to look at the supply of credit to small businesses, even though many submissions identified no problem. Christopher Brown-Humes, London

POLITICS

Local election battle starts

The biggest battle for local government seats before the next general election began in earnest yesterday, with the opposition Conservative and Liberal Democrat parties following Labour in launching their campaigns. There will be elections on May 6 in most of England, except London, and throughout Scotland and Wales. They are the most extensive polis of the four-yearly local government elec-

The Conservatives suffered their worst local government results in history when the seats were fought four years ago. Labour and the Liberal Democrats look certain to suf-

fer losses in traditional Conservative areas, But the Conservatives' continuing poor performance in opinion polls leaves party officials worried that insufficient gains could ignite doubts about William Hague's leader-ship. Alan Pike, London

SHAKESPEARE

Rose theatre relaunched

The Rose theatre beside the River Thames in London, which saw the premieres of plays by Marlowe and Shakespeare, is being re-launched 10 years after its discovery by archaeologists. The Rose has achieved global fame following the success of the Oscar-winning movie Shakespeare in Love. Many of its scenes took place in a reconstructed Rose, acquired after filming by Dame Judi Dench, who won an Oscar for her role as Queen Elizabeth I.

Visitors can stand on the spot occupied by the balcomy and stare down at the stage area. An appeal launched yesterday by the Rose Theatre Trust hopes to raise £8m (\$12m) to enable further excavation of the site and a better exposition for the public. Chris Smith, the chief heritage minister, was at the launch and indicated that an appeal for National Lottery funding to develop the Rose would be viewed favourably. The Rose, put out of business around 1605 following the success of the Globe, has already yielded much information about the theatre in Shakespeare's day. Antony Thorncroft, London

Battery recycling may interest Japanese

By Peter Marsh in London

A group of Japanese sales of which are projected electronics producers is in to reach about \$2bn this talks with a UK technology year. The rechargeable batcompany about recycling teries are relatively light, energy storage device that is them suitable for new generdifficult to dispose of with- ations of mobile telephones, out creating environmental

AEA Technology has approached companies such as Sony, Matsushita and to which AEA is talking.

Irish Republican Army, for-

and Irish governments ear-

small and powerful, making camcorders and computers. About 90 per cent of the batteries are made by Japanese companies, including those

- a quoted company formed Scotland, to make specialist advance on rival ways of these batteries - worldwide from the previously state- versions of the devices, for owned UK Atomic Energy Authority's laboratories in Oxfordshire - has developed a UK pilot plant for recyclworldwide,

Ireland peace process deep. McLaughlin, Sinn Fein's "put beyond use" as part of a an outcome. We will do

In the face of continuing Sinn Fein and the pro-

Pilate act" in "reneging" on the Troubles.

ing lithium-ion batteries. It shi Materials and Japan is now keen to license the Storage Battery - which design to battery companies AEA, which holds a number of patents on lithium-ion manufacturing technologies,

principal city, to discuss the ministers in the executive tive would not be set up.

the UK government, warned work."

stalemate, London and Dub- British Ulster Unionists that get an executive without ons."

use by organisations such as this in conjunction with two between them hold 45 per cent of the venture with AEA owning the rest. Rob Neat, managing direc-

ter for Northern Ireland in enough, it's not going to the establishment of the

She added: "You cannot

teries, devised by research the armed forces. It is doing groups in Japan, the US and continental Europe. The AEA process mixture of chemical and

electro-chemical processes to separate constituents of lithium-ion batteries such as lithium salts, organic compounds and cobalt-based tor of AEA's battery busi- substances. These can be to which AEA is talking. is already building a £12m ness, said his company's purified and re-sold at a in the past two years, AEA (\$19.3m) plant in Thurso, recycling scheme was an profit, said Mr Neat.

the transfer of power and

institutions conditional on

the delivery of IRA weap-

that just fighting their own Friday agreement and makes

by 2001. Sinn Féin rejects terrorist arms proposals

As parties reconvened in lin had proposed that Sinn if they continued to "fight both sides agreeing. We are Belfast, Northern Ireland's Fein could take its seats as their own corner" the execu- only going to move this forthe cheapest," it said. ward if the pro-agreement The crisis in the Northern joint declaration, Mitchel after some IRA arms were She said: "We can't impose parties make this work." But Mr McLaughlin said

valued at £11bn (\$17bn).

ARGENTINIAN INVESTMENT COMPANY COLOMBIAN INVESTMENT COMPANY PERUVIAN INVESTMENT COMPANY Luxembourg B 43,274 TAIWAN INVESTMENT COMPANY Societé d'investissement à Capital Veriable sech of the above having its registered office in 47, boulevard Royal, L-2449 Luxembourg

mally rejecting compromise its responsibilities to imple-

proposals on terrorist arms ment last year's Good Friday

put forward by the British peace agreement.

NOTICE OF MEETING

AGENDA

Presentation of the reports of the Board of Drectors and of the Auditor.

Approval of the balance sheet, profit and loss account as of December 31, 1998 and the allocation of the net profits.

Discharge to be granted to the Directors for the Enancial year ended December 31, 1998.

4. Action on nomination for the election of the Directors and the Auditors for the ensuing year.

5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the better of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A stareholder may act at any Meeting by proxy Proxy forms are available upon request at the registered office of the compenies.

PUTNAM EMERGING INFORMATION SCIENCES TRUST Société d'Investissement à Capital Variable 47, boulevard Royal, 1-2449 Lucembourg R.C. Lucembourg & 22.516

NOTICE OF MEETING We have the pleasure of inviting you to atland the Annual General Meeting of charaholders, which will be held on April 30, 1939 at 11.00 a.m. at the registered office of State Street Benk Luxembourg S.A., 47 boulevard Royal, L-2449 Luxembourg, with

Presentation of the reports of the Board of Directors and of the Auditor.

Approval of the balance sheet, profit and loss account as of December 31,1998 and the allocation of the net profits. ed to the Directors and to the Auditor for the liscal year ended

December 31, 1996.
Action on the election of Thomas M. Turpin, John R. Verani, Jean-Claude Koch, Altred Brausch and Steven Spiegel as Directors and PricewaterhouseCoopers S.a.r.I. as Auditor for the ensuing year.

Any other business which may be properly brought before the meeting.

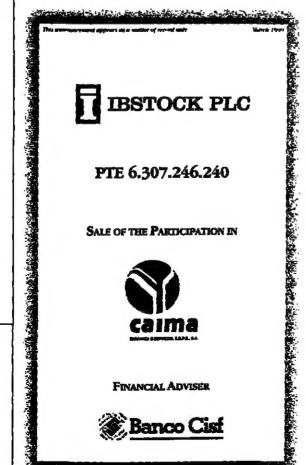
The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote, A shareholder may act In order to take part at the Annual General Meeting, the owners of bearer shares must deposit their shares 5 clear days before the meeting at the registered office of the fund. 47. boutevard Royal, L-2449 Lucembourg.

PERSONAL

PUBLIC SPEAKING Training and speech writing by award winning speaker. First lesson free. Tel: (01727 8E1133)

Position available.

By order of the Board of Directors



Mo Mowlam, chief minis- corner is not going to be

BRAZILIAN INVESTMENT COMPANY Société d'investissement à Capital Variable pa social: 47, boxistrant Royal, 1,-2449 Luxembourg Pl.C. Luxambourg B 26.810 NOTICE OF MEETING

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 22, 1999 art 2,000 a.m. at the registered office at 47, boulevard Royal, L-2449 Luxembourg, with the following agends:

Presentation of the reports of the Board of Directors and of the Auditor.
 Approval of the belance sheet, profit and loss account as of December 31, 1996 and the allocation of the net profits.
 Disaferage to be granted to the Directors for the linencial year ended December 31, 1998.

Action on nomination for the election of the Ovectors and the Auditors for the ensuing year.

5. Any other business which may be properly brought before the meeting.

The shareholders are achiesed that no quorum for the stems of the agends is required, and that the decisions will be taken at the majority vote of the sharep present or represented at the Meeting, Each share is entitled to one vote. A shareholder may act at any Meeting by proxy. Proxy forms are available upon request at the registered office of the companies.

By order of the Board of Directors

		Her 199	6	(1946) 1946		ar-biar	1989	Jap-140 1998
	Volume	% chg	% abere	% since	Velome	% chg	% stere	% share
Total mariet	39409	24,3	100.0	100.6	72.63	-12	100.0	100.0
innorts	24134	45.0	62.6	53.0	43430	5.8	58.9	ELZ
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Total	11372	24.4	160.0	198.9	20385	7,8	169.6	100.0
imports	6825	50.5	60.6	42.6	11350	5.2	65.7	48.5
Fort	3259	-24	29.7	37.0	8526	-19.2	32.0	36.0
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Total	20034	32.6	100.5	100.0	35423	-45	100.0	108.4
Imports	11849	51.2	59.1	51.9	20575	8.5	58.4	52.5
Ford	6650	5.1	38.2	41.9	12356	-19.4	34.8	41.2
Marcedes Serz	2354	32.7	71.5	11.7	4312	-6.0	122	12.7
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Volkswagen	1498	28,7	7,5	7.7	2853	-128	6.1	14
Citroen Pougeot	1038	67.8	5.2	4,1	1771	25.8	5.0	2.5
Toyota	625	59.4	3.5	29	1199	-20.5	3.4	4.1
Fiet	1007	61.8	5.0	4.7	1441	15,1	4.1	3.4
100	1123	W7.1	5.5	25	1600	55.3	- u	25
NECO	699	24.5	3.3	35	1203	28.6	3,4	2.5
Tracks lover 3.5 torus	esi							
Total	第章	17.9	100.0	100.8	12480	1.3	100.0	109.
imports ·	4345	26.8	77.1	71.3	9495	12.1	76.2	68.5
Leyland Daf (Paccar ^{es})	899	-43	17.7	21,1	2416	7.4	19.4	21.2
Necs Group *** (Fist)	1075	5.3	15.1	21.4	2202	-6.9	17.7	19.5
Mercedes-Benz (Caimier Bonz)	925	253	15.4	15.4	2934	6.8	16.3	15.5
Valvo	784	412	13.9	11.1	1673	21.5	13,4	113
Scarle (Investor)	517	13.9	9.2	9.6	1306	-10.3	10.5	11.5
MAN	469	13.8	8.3	. 8.6	927	-5.9	7.4	BE
ERF	288	-7.9	4.8	6.1	619	-12.7	5.0	5.6
Romand	317	39.5	55	4.7	734	55.5	5.0	3.8

Introduction of the 'T' registration plate on March 1 brought a big ost to the light commercial vehicle market. Registrations of light and medium vans - those up to 3.5 tonnes - in particular rose sharply. Birmingham-based LDV reported its best March ever.

Scientists face green transport test

By FT Reporters

Leading scientists will have salary increases of several thousand pounds if they use bicycles or buses to go to

Scientific Generics, one of the UK's biggest technology consultancies, is offering to make the payments in a bid to reduce objections from local residents to the extra traffic generated by its

The company, based

city of Cambridge, said it would make the payments if it was allowed to proceed with its £5m (\$8m) plan, The expansion would involve doubling the number of employees to 400.

13km outside the university

But local environmental groups dismissed the proposals. The Green party said: "Giving the company planning permission would still be detrimental to the environment on balance. There's no guarantee that

people would take up the company's offer." A spokesman for John Prescott, deputy prime minister, said he welcomed any scheme to reduce car use, but any planning decision would have to take into account all circumstances.

But the proposal fits with Mr Prescott's efforts to encourage cycling, and integrate planning and transport decisions.

scheme would include car-sharing in which employees would be linked, via their computers, with software that works out where colleagues are going and what time they are leaving. The company could also buy bicycles for employees while a fleet of minibuses, monitored by satellites, could also be deployed.

1502 A

The company has sales of £18m a year, with many clients in continental Europe.

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Falitime abattoirs

* The Italian job on Shakespeare

Alastair Macaulay reviews new productions of 'The Merchant of Venice' and 'Hamlet'

name that in Shakespeare's plays ference between Shylock and the is pronounced with the stress on other modern-day Venetians is the first syllable) possesses two of minimal - the full nature of the Italy's leading five theatre companies: both of which at present becomes forcibly apparent during are playing Shakespeare. The Pic- the trial scene, visibly crushing colo Teatro is presenting The Merchant of Venice (Il Mercante transform himself drastically into di Venezia) at the old Piccolo. a Renaissance courtier to woo Meanwhile the Teatridithalia, is Portia (in Italian, Porsia). In the giving Hamlet (Amleto) at the Teatro di Portaromana. I watched both last weekend, and with

What a difference it makes when a director puts all the focus on his actors as in 'Amleto'

markedly different reactions. How come Stephane Brauna Shakespearian director of consequence? In recent years, Britain has seen both his francophone staging of The Winter's Tale and his anglophone account of Measure for Measure. Both affairs. Alas, despite the presence not let them. of one of Italy's leading actors as Shylock, the same is true of his new italophone Merchant of Venice at the Piccolo. (Italian translation by Agostino Lombardo.) His spirit is especially alien to Shakespearian comedy and to the line-by-line mobility of Shakespeare's thought.

No actor makes a great impression in a Braunschweig production. The director predominates

Il vostro nome è Shylock? Milan (a Belmont is period-dress. The dif-Shylock - but Bassanio has to final scene, he is devastated to find that Porzia has taken the liberty of becoming a man, and a successful man, and in Venice. He, Bassanio, flounces out, slamming a door after him. Although Porzia soon follows him, it is unclear whether the marriage will survive. This might be revealing - England has seen reinterpretations of the play during the 1990s more radical than this (some successful), especially in terms of reinterpreting its gender politics - but the theory is more interesting than the prac-

Shylock is Roberto Herlitzka, schweig now passes in Europe as the best actor of the cast. He catches Shylock's cunning and his wit. The way he folds to the floor at the end of the trial scene makes some impression. But neihis performance exert great natural, riveting, wonderfully whole play fall into place, force, because Braunschweig will expressive. And Ferdinando I think we would hange were cerebral, analytical, static force, because Braunschweig will

What a difference it makes when a director outs all the focus on his actors! Much about the Teatridithalia Amleto might seem whacky, and certainly the expressionistic production - directed by all the other actors, notably Ida Elio de Capitani - is wholly unlike almost every Hamlet seen in London in recent years. But everything here seems to frame and complement the actors' work. (The Italian translation alone. His sets physically con- in the hendecasyllables that are strict his actors, and often coop as natural to Italian expression them onto the apron of the stage. as the lambic pentameter is to His Venice is modern-dress, his English - is by Cesare Garboli.)



Brumi - he and De Capitani are thought even more if the producthe company's artistic directors commands the play as few Hamlets ever do; commands it by sheer force of mind. Standing still, he emanates energy. (So do Marinelli as Gertrude and Gian-

carlo Previati as Claudio.) In Bruni's case, it is intellectual energy. (As it happens, Bruni is not only an actor but also a director, translator, designer, and painter. He has recently translated Rimband's Szison en Enfer into Italian.) He is slight of physique, but elegant does seem to come from Purga-

the actors in the Piccolo Mer- is a dark, incisive, supple bassconte seems contrived, here the baritone. And so we hang on ther this nor anything else about frequent stillness of the actors is Hamlet's thought; and so the I think we would hang on his

> tion had less intrusive recorded noise; if the gimmick of speaking certain speeches into a microphone were more selectively used (though it amplifies them, it reduces their effect); and if there was less nonsense with transparent plastic curtains whose rise and fall during the action is more distracting than we need. But the basic modern-dress economy of the staging works well. The Ghost, naked and given an exceptionally eloquent physical performance by Fabiano Fantini, reelly

dominates his family with unusual force: Laerte's neurotic rage and Ofelia's madness both grow, clearly and interestingly. from his repressive control. Ofelia (Paola Rota) really is a beauty; and both Luciano Scarpa. (as Orazio/Horatio) and Alessandro Quattro (in several roles) make very fine impressions. The tension between the essentially classical but always natural acting style of the company and the expressionistic framework of the production is remarkable. The stage world seems surreal; the

'Amieto' at the Testro di Portaro-mena, Milen, until April 30. 'Il Mer-cante di Venezia' at the Piccolo Testro, Milan, until April 18.

white box. Thom Willems' accom-

actors make it real.

NEW YORK MUSIC

Difficult diva returns to Battle

darling. Slim, wide-eyed and decisively dimpled, she looked like anything but an opera star. She exuded sweetness and light, easy charm, softness and fairy-tale femininity. She was smart, too, And when she sang especially the gentle, high-lying melodies of Mozart and Richard Strauss – she unleashed her own personal chorus of silver bells. Kathleen Battle was the toast of the best operatic towns in the world. But her artistic home was here, in New York, at the mighty Metropolitan Opera. And it was Joseph Volpe, head of the Metropolitan Opera, who humiliated her with a public firing five years ago during

rehearsals for Donizetti's La Fille du Régiment. The official reason was: "unprofessional conduct that was deemed profoundly detrimental to the artistic collaboration among all cast members." Battle's career hasn't exactly flourished in the interim. She notably crossover endeavours.

has made some recordings, most With the accompaniment of nothing more threatening, or more threatened, than a planist, the still gives recitals. She has not appeared in an opera production anywhere since 1994, nowever, and her concert engagements aren't as frequent er as prestigious as they used to be. Many impresarios seem to have decided that, minus the Met

to do battle with Battle. The difficult diva may find herself in career distress, but she still commands enough faithful fans to pack Carnegie Hall. In fact, she did just that on Sunday afternoon, with the ever-faithful Martin Katz providing extraordinarily tactful

imprimatur, it isn't worthwhile

reinforcement at the keyboard. Now 50, Battle still commands the limpid, shimmering tone that illuminated her work in her best days. Her range remains wide, and the top tones still shine brightly. She remains a canny stylist, and, yes, she still looks lovely. (It is no accident that the official programme biography flaunts this statement: "Her

with the noted scenic and costume designer Rouben Ter-Arutunian produced a series of gowns for her most important ngagements.")

Alas, the remnants aren't enough. Her voice was never big. and it seems smaller now. More damaging, her interpretations are beginning to lend new meaning to such concepts as wispiness and preciousness. Self-conscious to fault, Battle doesn't just sigh and whisper. she coos and whimpers. An equal-opportunity mush-provider, she makes it difficult for the innocent listene to decide whether she is articulating English, French German, Italian or Spanish.

If her vocal mannerisms border on caricature, her semaphore gone awry. Every song is illustrated with constant motion, the most favoured manoeuvre resembling the breast stroke. If only someo could tie those hyperactive hands behind that lovely back.

Battle's skimpy potpouri agenda, punctuated with endless bows, exits and entrances, began with a couple of breathy arias from Handel's Theodora. Three Mozart songs provided a bland transition to four wan Richard Strauss Lieder, with a popular fifth, "Ständchen," serving as mock-encore before the interval. The second half of the recital, for which the protagonist seemed slightly less nervous, opened with the bel-canto filigree of "O luce di quest'anima" from Donizetti's Linda di Chomounix Then came some nicely perfumed reveries, courtesy of Fauré, and, at climax time, spicy Iberian . indulgences of Guridi. Guastavino and Obradors.

The first encore offered the operattic gush of "Schenkt man sich Rosen in Tirol" from Zeller's Vogelhandler, in a performance gooey enough to make the old Schwarzkopf recording seem pristine. One fled in sadness.

Martin Bernheimer

DANCE IN PARIS WILLIAM FORSYTHE BALLETS

Taking steps to solve the puzzle

Paris dance public since 1987. Chatelet, stagings at the Opera, have consolidated this admiration. Now the Opera has mounted. an evening of his works: In the middle, and the acquisition of The Vertiginous Thrill of Exactinude (Forsythian titles are a measure of intellectual pretensions) and the creation of two new. pieces: the inconsiderable Woundwork 1 and the fascinating Pas/parts. I saw them last

Wednesday. There is in Forsythe's work, and in the eager cries of delight from bedazzled commentators that greet it, an element of naiveté, even of re-inventing the wheel. And few new imperial outfits have been more ecstatically bailed, or more carefully scrutinised. (Criticism about Forsythe in Europe is an industry producing more fog than sense.) The disiects membra of movement that

undertakes to make several curiwhen his in the middle, somewhat our little machines which no lonelevated was made for the Opera ger tell the time, suggest his ballet. Seasons at the Théâtre Du manner. Movement is speeded up, broken into components, its habitual connections rejected. The academic dance language, say his devotees, is variously "deconstructed" or "athletically developed from Balanchine" or inflected with attitudes taken from rock or hip-hop or breakdance. There is some heavy intellectual baggage attendant upon this - references to Daniel Liebeskind and Foucault and other modish names are used to "explain" the choreographic

His dances look, to me, like an unsolved jigsaw, out of kilter, alienating in manner (the dancers frequently have a sullen, disengaged air), movement corkscrewing from the loose-hipped torso as if muscular control had gone: And, on a deeper level, the alignation extends to the grim

William Forsythe has found an he produces, the dismantling of accompaniments which come their unconnected ways, occaenthusiastic following among the the academic clock that he from his favoured sound-prosionally complementing or echovider, Thom Willems, suggest a steel-mill in extremis.

And so this Forsythe programme at the Opera. It began, properly, with In the middle in meticulous performance. The Opera dancers' classic integrity

The Opéra dancers' classic integrity gave a glossy bravura to every least twitch

gave a glossy bravura to every least twitch. Then the first new piece, Woundwork 1, whose title refers to the winding and unwinding of knots rather than the wounding of the academic dance by teasing and distorting it. Two couples, Marie-Agnes Gillot and José Martinez, Delphine Moussin and Lionel Delance, lighting, and those grinding explore two separate duets, going

sionally complementing or echoing each other. The manner is rather lethargic, with a slow unfolding of action and a rewinding of dynamics that has a dream-like uncertainty of tempo. The dancers are superb; the dance much less so.

The contrast with the succeeding Vertiginous Thrill is extreme. This dates from 1996 and makes an ultra-academic response to the allegro vivace from Schubert's "Great" C major symphony. The music is untouched, as two men and three women churn out conventional, if taxing, politenesses. They look as if they would be better employed in the Paquita trio - where the classic dance has a bright and engaging edge.

But to close the evening, some thing new and considerable. Pas/ parts offers 20 short bursts of activity - solo, duet, trio, ensemble - which pursue each other across the stage, sometimes over-lapping, dedicated to exploring the potential of a step or a movement cell. The stage is a vast. Clement Crisp

English National Opera,

London Cosseum

paniment bangs and grumbles like a threatening storm. The cast includes some of the Opéra's again a jigsaw puzzle of ideas, whose connections seem as difficult as in that first moment when the puzzle spills on to the table. But links and connections emerge, and the dance - often contorted in outline, brusque in energy - has a fine impetus to it. Two sections seemed outstand-

ing. A solo for Nicholas Le Riche involves a breath-taking circuit of the stage in which the leading edge of the movement can appear to be his shoulder or elbow - Le Riche a marvellous exponent of the most fascinating aspects of Forsythian theory as he shows us how energy pours through the movement. A duet for Eleonora Abbagnato and Jérémié Bélingard could be the pas de deux from Balanchine's Apollo 70 years on. There is the same inevi-tability about the dance, the same sense of re-discovery of academism, and the same intensity of feeling. I thought it wonderful, and Abbagnato, so delicate in physique, so true in style, is a grandly promising young artist.



Dance with fine impetus: scene from 'Pas/parts'

INTERNATIONAL

Arts Guide

AMSTERDAM

Het Muziektheater Tel: 31-20-551 8911 Leipzig Ballet: triple bill of works by Uwe Scholz; Apr 15,

 Nederlands Dans Theater I: programme of works by Inger, Lightfoot, Kylián and Van Manen; Apr 20

OPERA Netherlands Opera, Het Moralektheater Tel: 31-20-551 8911 Otello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber, with a cast led by Vladimir Bogachov; Apr 16, 19

BERLIN DANCE Deutsche Oper Tel: 49-30-34384-01 Tokyo Ballet: in the German premiere of Maurice Béjart's staging of The Nutcracker, Apr 14, 15, 16, 17, 18 Tokyo Ballet in a Maurice

Béjart programme comprising Stravinsky's Le Sacre de Printemps and Petruschka, and Ravel's Bolero; Apr 20

CHICAGO CONCERT Orchestra Hall Tel: 1-312-294-3000 www.chicagosymphony.org Kathleen Battle: recital by the soprano of a programme including works by Handel, Mozart and Strauss, with pianist Martin Katz; Apr 18

FLORENCE Teatro Comunade Tel: 39-055-211158 www.maggiofiorentino.com The Queen of Spades: by Tchaikovsky. Conducted by Semyon Bychkov in a staging by Lev Dodin, in a co-production with Netherlands Opera and Opéra National de Paris; Apr 15, 18

GENEVA DANCE

Bâtiment des Forces Motrices Tel: 41-22-418 3000 Ballet du Grand Théâtre de Geneve: La Bayadère: New staging by Etienne Frey, with designs by Gérald Poussin. With the Orchestre de la Suisse Romande conducted by Thomas Rösner, Apr 15, 16, 17, 18, 19

LONDON CONCERTS

Barbican Hall Tel: 44-171-638 8891 Thomas in works by Charles

Royal Festival Hall Tel: 44-171-960 4242 Fields: Sir Neville Marriner

celebrates his 75th birthday with a programme including works by Mozart, Britten and Mendelssohn; Apr 14 London Philhamonic Orchestra: conducted by Leon Botstein in works by Wagner, Knachsturlan, and Dvoräic, Apr 16 · London Philharmonic Orchestra: conducted by Danlei Harding in works by Brahms, Mozart, and Strauss; Apr 20

Orchestra of the Age of

Susan Chilcott; Apr 19

conducted by Christian

EXHIBITION .

Philharmonia Orchestra:

and Schumann, with plano

Royal Academy of Arts

Tel: 44-171-300 8000

Enlightenment: conducted by

with soloists including soprano

Thlelemann in works by Brahms

soloist Andreas Haefilger, Apr 17

Vasily Kandinsky: Watercolours

and other Works on Paper, 140

works on paper spanning the

whole of the artist's career, from Apr 14 to Jul 4 London Symphony Orchestra: conducted by Michael Tilson

ives, Carl Ruggles and Bruckner, Tel: 44-171-632 8300. Apr 15

London Symphony Orchestra: Mefistofele: by Boito. conducted by Michael Tilson Conducted by Oliver von Dohnányi in a new staging by lan Thomas in works by Haydn, Bartok and Sibelius, with viols Judge; Apr 15, 17 Salome: David Atherton soloist Yuri Bashmelt, Apr 16 conducts Richard Strauss' opera, staming Vivian Tierney as Salome in David Levesure's production; · Academy of St. Martin in the Apr 16, 20 Semele: Rosemary Joshua

Apr 19 LOS ANGELES CONCERTS **Dorothy Chandler Pavillon** Tel: 1-213-365 3500 www.laphil.org Los Angeles Philharmonic: conducted by Emmanuel Krivine in works by R. Strauss, with piano soloist Martha Argerich; Apr 15, 16, 17, 18 Paul Daniel in works by Mozart,

sings the title role in Robert

conducted by Harry Bicket;

Carsen's new production,

MUNICH CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Maxim Vengerov: recital by the violinist of works by Brahms, Prokofley, Chausson and Ravel, with planist Leon McCawley, Apr 15 Munich Philharmonic Orchestra: conducted by Yakov

Kreizberg in works by Schubert,

Mozart and Shostakovich. With piano soloist Mitsuko Uchida;

 Vienna Philharmonic Orchestra: conducted by Roger Nortington in works by Nicolai, Bellini and Bruckner, with piano sololst Friedrich Höricke;

EXHIBITION Haus der Kunst Tel: 49-89-211270 Angelika Kauffman (1741-1807): retrospective of works by the Swiss decorative artist, who was a founder member of London's Royal Academy. Includes paintings, drawings, prints and porcelain; to Apr 18

NEW YORK OPERA Metropolitan Opera, Lincoln

Center Tel: 1-212-352 6000 www.metopera.org Susannah: by Floyd. James Conion conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey, Apr 16 Wozzack by Berg. James

Levine conducts, with a cast including Hildegard Behrens and Franz Grundheber, Apr 17

New York City Opera, New **York State Theater** Tel: 1-212-870 5570 www.nycopera.com Intermezzo: by R. Strauss. New staging by Leon Major, with sets by Andrew Jackness and costumes by Martha Mann. Conducted by George Manahan: Apr 16, 18

PARIS **OPERA** Opéra National de Paris, Opéra Tel: 33-1-4473 1300

www.opera-de-paris.fr Lohengrin: by Wagner.
 Conducted by Mark Elder in a staging by Robert Carsen, with designs by Paul Steinberg; Apr 19

 Lucia di Lammermoor, by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Apr 14, 17

SWANSEA OPERA **Grand Theatre** Tel: 44-1792-475 715 Welsh National Opera: Peter Grimes, by Britten. Carlo Rizzi conducts a staging by Peter Stein, with a cast led by John Daszak and Janice Watson:

TOKYO DANCE NHK Hall The Royal Ballet: the British company's tour opens with Swan Lake; Apr 16, 17, 16, 19

TORONTO OPERA Canadian Opera Company, Tel: 1-416-363 6671

Apr 17

The Golden Ass: by Randolph Peters. World premiere. With a libretto by Robertson Davies. The director is Colin Graham and the conductor is Richard Bradshaw: Apr 15, 17

VIENNA CONCERTS Musikverein Tel: 43-1-5058 6810 Vienna Radio Symphony Orchestra: conducted by Gerd Albrecht in works by Victor Ulimann and Erwin Schulhoff. Apr 16

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

FUROPEAN CABLE AND SATELLITE BUSINESS TV

 CNN International Monday to Friday, GMT:

Update

06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today . 22.00: World Business Today

Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; -

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

elations between the World Bank and its presidents have often been choppy. But even by previous standards, the past few weeks have been gruelling for James Wolfensohn, the Bank's chief. As well as threats to the institution's this is the time to invest financial standing and the more in the Bank, to make departure of key aides, he even more resources availhas found himself in a able, not less," Mr Wolfenshouting match with his sohn has told his board. board of directors over the

future of the organisation. . When finance and developspring meetings in Washington in two weeks time, there will be some blunt questions answer: Is the expensive reorganisation of the Bank he launched two years ago delivering results? And does he have a convincing vision for the Bank's future role?

Half the \$250m earmarked for internal re-organisation at the Bank has now been spent, and Mr Wolfensohn has promised to cut running costs by \$50m next year and a further \$50m in fiscal year 2001 - a reduction of 10 per cent in real terms.

The strain on the Bank's 9.000 staff is already showing. Job insecurity has dented morale; 395 staff have been made redundant already and management is seeking authority to remove another 250. Job insecurity has already also meant that the Bank's complicated "matrix management system" has worked less well than it should. So has the "internal market" budgeting process, through which different parts of the bank buy services from each other.

before coming here and the Bank's process is the worst I've found," one despairing manager told the staff asso-clation. "This is the only institution where everybody is charging everybody else. We count the same money many times over."

When the budget begins to shrink in the summer, managers fear that the quality of analysis and advice will suffer. Outsourcing and job cuts may intensify. Departments might no longer get the service they require from other parts of the Bank. And long-term planning could be sacrificed to keep day-to-day work on track.

needs of our clients - and

Wolf at the door

Robert Chote reports on the tension between the World Bank and its president, James Wolfensohn

But the bank's executive directors, who represent its 181 member governments, ment ministers hold their are in no mood to give him extra cash. They recently forced Mr Wolfensohn to withdraw a small but significant request for \$13.3m to meet a budget overrun for the renewal of information technology systems.

"It is certainly possible persuaded that the Bank's budget can rise again in real terms," argues one board member. "But we must meet - or show that we can meet - the 2001 target. Without that, the management has

The relationship between Mr Wolfensohn and his board, wary at the best of times, is unusually strained. The latest flashpoint was a discussion of the so-called "Comprehensive Development Framework" - Mr Wolfensohn's grand plan to redefine the Bank's strategic

He claims that "the CDF

us - one could argue that holistic, and longer-term European heads of governapproach to development".it ment. And invoking the involves setting up a matrix memory of Yehudi Menuhin. for each country, which allo- the virtuoso violinist who cates a comprehensive list of policy areas (everything from sewerage to judicial he, too, had an artistic vision systems) to a number of development players (government, civil society, bilateral donors and multilateral organisations). Mr Wolfensohn believes this will identify gaps and prevent dupli-

> Most directors support the principles of the framework, but are nervous about implementing it. Some believe Mr Wolfensohn has simply reinvented the wheel. A few are worried that it will be not been told about. But Mr used as an excuse for expansionism as the Bank tries to fill every gap itself. Doubts about Mr Wolfensohn's plan intensified when Marianne Haug, the official in charge of developing the CDF, suddenly resigned, apparently concerned about the details of implementation.

When the board put their concerns about the framework at a meeting last month, Mr Wolfensohn erupted. Blasting the directors for shortsightedness, he said he had personal backing suggests a broader, more for the idea from several



their increasing demands on Wolfensohn: This is the time to invest more in the Benk

also getting more bang for its buck. Mr Wolfensohn's re-organisation (known as the "Strategic Compact") has raised the share of loan projects rated "satisfactory" by the Bank's in-house watchdog to 80 per cent from 71 per cent two years ago. Other quality measures have risen too, in effect adding \$4bn to the real value of the

which deserved better than to be met with 182 pettifogging questions. Mr Wolfensohn's outbursts are not uncommon, but also welcome the fact that 23 his worst flare-up yet. Board of the Bank's 51 country directors were enraged by the discovery that the CDF's directors have been moved out of its Washington head-"holistic" approach was already being applied in quarters and into the field. Bolivia, complete with an apparent delegation of bud-

had died shortly before. Mr

Wolfensohn complained that

to be conciliatory.

we will never be the sort of

board he would like. Most

people think he is doing a

good job, although we all

bring lists of hang-ups and

It remains to be seen what

happens as a result of these

frustrations. Mr Wolfensohn

will be keen to ensure that

the Bank does not lose out to

the IMF in any reforms to

the "architecture" of the

global financial system. But,

with the crises in emerging

markets contained, if not

resolved, it now seems less

likely than it did last

autumn that he will press

ministers for a politically

contentious increase in the

Bank's capital base.

frustrations.

get authority that they had Wolfensohn was in no mood ost directors expect this storm to blow over, like others before it. "Jim just does not understand the board," one director says, pointing than the Strategic Compact to Mr Wolfensohn's backproposals had assumed. ground as an investment banker, rather than an international bureaucrat. "And

clients' needs, we have done much more than was ever anticipated under the Compact - with unprecedented levels of lending, disburse ments and advisory services." Mr Wolfensohn has told the board. "Our focus on poverty reduction is stronger, and our development

threat to veto the scheme.

The spring meetings will at least give Mr Wolfensohn the chance to showcase the changes he has instilled at the Bank. He will argue that the quantity and quality of the Bank's lending are both increasing. Disbursements are expected to reach \$28.7bn in the fiscal year to June, up from \$24.9bn last year. long he will be given free Emerging market rescue packages explain much of rein to pursue his vision.

Bank's lending. Meanwhile the Bank has devoted more effort to financial sector reform, stepped up its anti-corruption work and provided emergency help for hurricane victims in Central America. Clients

On the financial side, the Bank has secured pledges of nearly \$12bn to finance soft loans for poor countries over the next three years. New terms for lending to middle income countries have put the Bank's finances on a sounder long-term footing. And higher-priced loans for crisis countries will give the Bank net income of \$1.3bn to spend next year, \$330m more

"In terms of meeting our

almost every measure." But can it last? One fear is that the Bank's triple-A rating in the bond market will be undermined by proposals in the US Congress to fund disaster relief for Central America with money previously pledged to back the Bank's loans. Mr Wolfensohn must hope that Robert Rubin, the US Treasury secretary, will carry out his

For now, the results of Mr Wolfensohn's shake-up carry more weight with governments than concerns about the future of the institution. But with budget pressures perhaps now posing a threat to the recent improvements in the Bank's performance, it remains to be seen for how

LETTERS TO THE EDITOR

EU's data protection directive provides a satisfactory framework

regarding privacy is not that person. For example, I to protect the individual. assisted by Amital Etzioni's have a loyalty card with a (April 9).

Mr Etzioni begins by stat-Union Data Protection Directive requires "company use of personal information be preceded each time by the explicit consent of the person involved". This is not

The First Principle of the new directive clearly details those areas where consent is not necessary. These include tion "necessary for the performance of a contract" and for the "taking of steps at the subject's request with a view to entering into a contract". This provides companies with more than enough rights to carry out their obli-

eations to customers. While the use of personal information thereafter is subject to the consent of the individual it is entirely erro-

supermarket and have given my permission that they may use that data for their ing that the new European internal purposes and may sell that data on. It would be hard to argue that a regime that allows this is either

overly restrictive or onerous. Mr Etzioni is correct when he states that powerful computers and software mean that more detailed information can be kept on individuals. As the digital age progresses this will become an increasing problem due to a variety of issues, such as incorrect or out of date infor-

The advance of technology also creates business opportunities as companies will increasingly be valued on the basis of their ability to handle and accurately manipulate data of all kinds, including personal informa-

There is, therefore, a com-

neous to give the impression mercial requirement to limit Sir, The current debate that every little thing access to personal data in between Europe and the US requires a letter to be sent to addition to a very real need It is foolish to claim that

there is only one way of achleving the desired result in this area as this presupposes we all want the same thing. Different cultures will have different aims and methods. It is my belief that, while

2. . 2 . 1

it is not the only model, the new directive provides an appropriate structure within which society and business should work for the foreseeable future. However, with a technology that changes by the week, I could not say that this will be true 10 years from now and I would hope Mr Etzioni would concur from a US perspective. This makes arguments as to who is "right" or has the "best system", somewhat

Graham Wood, partner, Cobbetts, Ship Canal House

Wasteful support behind the problems in canned peach and pear industry

From R.D. Taylor,

Sir, Your readers should not be misled by the comments in your April 7 edition "Bananas, beef now peaches are highlighted in grocery 'war'") by a European Union official about the causes of problems in the global canned peach (and pear) industry.

The overwhelming cause is the exceptionally high and wasteful support, even by EU standards, provided by the EU to growers and processors of canned

This reached almost 80 per excess of 20 per cent (for continue to see their money canners) of the value of pro- wasted on growing more

duction in the mid-1990s. This is much higher than for other sectors, such as pig farmers (9 per cent), wheat farmers (36 per cent and even dairy farmers (54 per

As a result, Greek production has almost quadrupled since 1980. The problem is not confined to Greece or to peaches: canned pears also receive high levels of sup-

This has caused significant problems for unsubsidised growers and canners in countries such as Australia. Despite some recent cent (for growers) and in reforms, taxpayers in the EU

fruit than is needed, with consequent environmental

In addition, there is the problem of fraud, as the European Court of Auditors

The Australian industry. together with colleagues in such countries as Chile. Argentina, South Africa and the US, has developed proposals that would provide an interim solution with benefits for growers in the EU

R.D. Taylor, PO Box 196, Victoria 3629

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be fored to +44 171-573 5938 (set fee to "line"), sumain ters, action@ft.com Published letters are also available on the FT web 1966, http://www.FT.com Turshalton may be available latters written in the main international lenguages. Fax +44 171-873 5638. Latters should be typed and not hand written.

PERSONAL VIEW HOWARD DAVIES

A forum for stability

At a meeting today in Washington, the world's many financial supervisors and regulators should discuss closer co-operation to prevent future crises

meeting, in Washington, of the with international financial institutions and regulatory you may politely observe. like this every day of the

But it would be wrong to ideas that have been gestat- together the world's securiing since the Asian economic crisis and last sum-

mer's Russian default. Why did the Asian crisis, might have been a healthy market correction at a time of over-rapid growth turn lapse of confidence and reveal fundamental weaknesses in the financial lem, too. The Financial Sersystems of the affected counvices Authority is the main

answers to these question Some argued for radical reform of the international financial architecture. For a time it seemed as if some kind of global design competition had been launched, in which the creative departments of every finance ministry (if that is not an oxymoron) put in their bids. merger of parts of the international Monetary Fund and World Bank, and even for a global financial authority.

These ideas, or some of the more ambitious reformers stubbed their toes on the rarely all three. There is

away from the architecture nowhere where all these regand towards the plumbing. ulators meet with central How could the linkages bankers and finance minisand orchestrate more effec- cial stability in the industritive responses to them?

oday sees the first regulator in a large develup to them. But there is no effective means of enforcing those standards, or of polic-

ing their implementation. cannot discipline their - vol-

untary - members. A single regulator cover-

And we see another prob-

Financial institutions oped market, one prime need themselves no longer respect seems to be to upgrade the the traditional sectoral centres and others. So we Financial Stability quality of supervision in boundaries: banks own Forum. This brings finance countries where it has been insurance companies; insur- in the intensity of internaministries, central banks shown to be wanting. There ance companies own banks: and regulators from the are agreed international investment business may be Group of Seven leading codes of practice setting out done by institutions of any industrial countries together the principles of banking, type; even in the US, legislasecurities and insurance tion now in Congress could supervision, and most coun- sweep away the last vestiges organisations. How thrilling, tries are nominally signed of the Glass Steagail restric-So a sectoral regulator in

be too cynical. The forum is unions, the Basle Commit- see one dimension of the the place for working out tee, losco (which brings risks being run by a globe) ties regulators) and others problem can be resolved

which began in Thailand in ing the whole financial secwhich oversees the activities these gaps particularly clearly.

tions, which separate investment from commercial bank-

The regulatory trades one country can often only institution. In principle, this through collaboration. Every Financial Stability Forum, international institution ought to be blessed with a lead regulator, who can co-July 1997, come as such a tor, such as the one we now ordinate the views of the surprise? Why did what have in London, and one cornucopia of bodies that oversee its different busiin the City of institutions nesses across the globe. But from many countries, sees if this structure is to be effective, the information flows between regulators must be as free and rapid as

those within the firm itself.

That is not easy.

We need to look for trouble more systematically than before, and to ensure that we monitor compliance with standards in all financial sectors

were about 70 of these at last count, and they breed. But almost all of them are secing global consensus on the of regulator to come together need for new institutions. From the perspective of a developments elsewhere.

We have a particular ver-UK representative in all the international groupings of sion of this problem within regulatory authorities. There Europe. In the euro-zone, regulation is conducted largely at the national level, though cross-border grouptoral. They bring together ings are developing apace. banking supervisors or So, looking ahead, some insurance supervisors or people worry that these securities regulators, but groups could one day be without an identifiable near-impossibility of reach- nowhere for different types national base. In my view, one should not be pessimistic about this. In the EU. So the focus shifted stability of the financial sys- habits of co-operation of Asian economies, it is (appropriately, in my view) tem. And there is certainly between supervisors develop rapidly to adjust to market changes, the single market the near-meltdown of last provides a common regula September. So now, before between the different particitures. This is anachronistic at tory framework, and inforthe memories fade, is prepants be improved to pro- a time when international mation between regulators cisely the time to begin planvide more timely early warnings of impending trouble, help prevent future crises many of the threats to finan-

business from less well regulated jurisdictions: offshore certainly need a step change tional regulatory collabora-

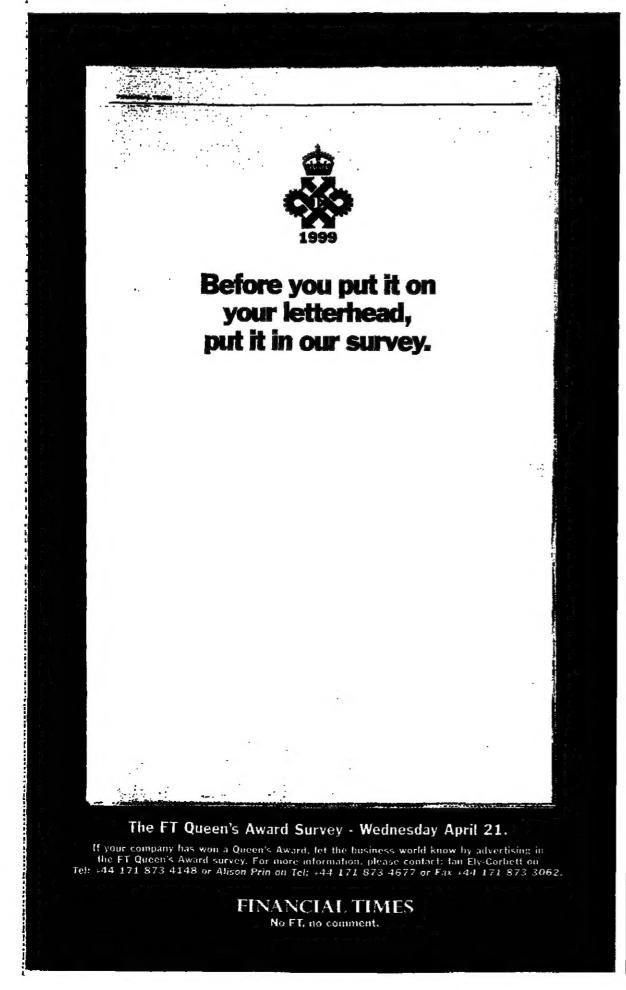
This was part of the thinking behind last October's proposal by Gordon Brown, the chancellor, to consider the need for a new body to improve co ordination. Hans Tietmeyer, the president of the Bundesbank was asked to assess whether the case was made, and his report to the Cologne meeting of onance ministers in February argued that indeed it was. Today's meeting of the chaired by Andrew Crockett. the BIS's general manager, is the outcome of that pro-

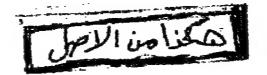
suitable cases for treatment. We need to look for trouble more systematically than before, and to ensure that we monitor compliance with standards in all financial sectors. The different groupings of regulators have, in their various parts of the forest, been trying to address the problems posed for financial systems and financial regulation by highly leveraged institutions (a more appropriate term, we think, han hedge funds). Nowhere is this work brought together. The forum could be the right place.

Similarly, all the groupings of regulators have been wrestling with the problem of how to spread best regulatory practice to offshore financial centres. But that requires political support, and a better constructed portfolio of carrots and sticks than we now have

With markets in the west hitting new highs and recovcasy to forget the dramatic market volatility of 1997, and

More difficult problems The author is chairman of alised economies arise from are posed by internet com-developments elsewhere. are posed by internet com-developments elsewhere. are posed by internet com-developments elsewhere. are posed by internet com-





stances in which companies are

prepared to take the risk are usu-

At Reed Elsevier, the Angio-

Dutch publishing group, the clash between two national cul-

tures has led to strong disagree-

executive was seen as a way of breaking through this cultural impasse. Carnaud MetalBox, con-

fronting similar cross-border

merger difficulties, looked for a

chief executive outside its own

The difficulty is then one of

persuading an outsider to under-

take the task of minding a trou-bled shop while holding warring

parties at bay. Reed's favourer

US candidate decided there were

less fraught jobs to be had else-

In the 1980s a troubled Midland

Bank appointed an American

Gene Lockhart, as chief executive

in the hope that his technological

skills would allow Midland to

"He was a visionary," says

leapfrog the competition from a position at the back of the pack.

Andrew Hilton of the London-

based Centre For The Study Of

Financial Innovation, "though

whether it makes sense for

visionary people to run banks I'm

not sure." In the event Midland

was put out of its misery thanks to a takeover by HSBC before Mr

Lockhart could prove himself.

Some now feel that his technolog-

ical legacy is looking better than

sceptical UK colleagues felt at

In every case where an Ameri-

can outsider has come in, it is possible to find a plausible-

sounding justification. Yet

almost without exception those

who seek a foreign implant are in

some kind of trouble. Cable &

Wireless had lost both a chair-

man and chief executive who had

been distracted from the compa-

ny's strategic challenge by bitter

Barclays had suffered from the

surprise resignation of Martin

Taylor after the bank incurred

the time.

Anglo-French constituency.

ally exceptional.

Barclays. He resigned as he came

said to have been a victim of ill-

health. But Barclays now shares the experience of several other UK companies, which have looked to the US for top manage-

rial talent and emerged no hap-

The classic instance was at the

strategically challenged telecom-

munications group Cable & Wire-

less, which acquired the services

of a much admired American

manager, Dick Brown, in 1996.

Mr Brown was vociferous in

"I am a leader," he told the

Financial Times soon after his

arrival; and as leaders go, he went, after two and a half years

of frenetic dealmaking, to Elec-

tronic Data Systems in the US.

Despite all the impressive execu-

tion C&W was still in a strategic

mess, although shareholders

The question, then, is whether the transatiantic managerial wis-

ards who arrive with much fan-

fare in the UK are not an over-

Certainly, the surprising number

of companies now looking in the

US for a boss - including Reckitt

& Coleman and Reed Elsevier -

cannot believe they are. But it is

hard to think of any instant

boardroom implant from the US

in recent years that could be

The best excuse for acquiring

US talent, says Samuel Johar.

managing director of executive

research consultants Buchanan

Harvey, is that in sectors such as

telecoms the US market is more

highly developed. The same case

could be made, at a pinch, in

retail banking. Mr O'Neill, for

example, had experience in his

previous job at BankAmerica of

selling off parts of the group - a skill that might well have been

So the attraction of looking to

the US to fill the gap in such

consultants' vested interests

relevant at Barclays.

counted an outright success.

have not suffered.

pier for the experience.

tion as against strategy.

to work on his first day. The resignation may be no reflection on Mr O'Neill, who is

Re problems in

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COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Wednesday April 14 1999

Handling Russia

The escalation of the Kosove conflict signalled yesterday by positions, it is all the more wel-Serbian incursions into Albania and news of further reinforcement of US forces provided a timely reminder that Nato's agree for too long. The Kosovo bombing campaign against Slobodan Milosevic must be matched

by careful diplomacy.

And at the top of list of diplomatic priorities is the management of the west's relationship with Russia. The present disagreements over Kosovo are understandable and manageable. But if the conflict is not to spill out from the Balkans, Washington and its allies must avoid a third of the Russian population still deeper split.

That was clear when Madeleine Albright, the US secretary of state and Igor Ivanov, the Russian foreign minister, met in Oslo yesterday for the first time since the war began three weeks ago. They agreed on nothing beyond the need to keep talking.

It would be naive to expect Washington and Moscow to see eye to eye. Nato has no choice but to continue bombing until Slobodan Milosevic pulls his troops out of Kosovo and allows the refugees to resettle.

In Russian eyes, the west has no right to attack a sovereign state that poses no threat to alliance members, should in any case have waited for United Nations support, and has gone in with no clear idea of what it aims

Given the strength of these come that Washington and crisis is moving too fast for that. They need to recognise and take steps to tackle an underlying divergence of interests.

Russian anger against Nato is just one symptom of growing isolation, thrown into relief by the collapse of the rouble last year and the admission to Nato last month of Poland, the Czech Republic and Hungary. At least a now believes it should turn away from the west and cultivate a Eurasian aphere of influence. This is the audience for the extreme recent remarks by Russian politicians which have caused alarm in the west.

These politicians should now balance the instinct to satisfy their domestic audience with the need to safeguard a place for Russia in the international community. For its part, the US should engage Russia more. That means accepting more than a token Russian presence in the international force that may accompany the refugees back to Kosovo.

Failure to do this risks turning a split over Yugoslavia into another cold war. Russia may have become an economic weakling, but it is too populous and well armed to be brushed aside.

Cult of the US manager

bief executives have their exits and their Why do so many UK companies choose US bosses? The great deal of money to lure them across the Atlantic. The circumentrances, but it is rare answer, says John Plender, is often desperation that these happen in the wrong order, as with the unfortunate Michael O'Neill at



so many "global" executive by training, was highly regarded ing among investors. sectors is that there are bound to searches focus so extensively on as a chief executive and chairbe more impressive candidates available than in the UK. Yet the

It is important to make a dis-Americans who have risen through the ranks and those who have parachuted in. Sir Neil Shaw, the former chairman of 1990s did institutional investors Tate & Lyle, was a Canadian who start to have doubts about him. happened to work for a company that was acquired by the British ti

Although he failed to secure a perceived in the 1980s as an effective chief executive who achieved a clear focus for a company that had lost its way.

man of BOC, the industrial gases group. His US-style pay packages tinction between those North caused headlines for many years he took them to an underperforming British Gas in the mid-

tive of Pearson (which owns the the UK amounted to 277bn. sugar group. He then worked his Financial Times), arguably falls into this long-stay category since countries with a common lanshe came to Pearson via The guage fail to generate crosstimely succession. Sir Neil was Economist, an affiliate of the fertilisation at boardroom level group. It is too early to pass a and below, something will be judgement on her performance, going wrong. but the rise in the Pearson share price since her arrival at least high-risk option, says Buchanan

The likelihood is that the number of executives of US origin in the UK boardroom will increase over time, if only because of the in the UK press. But only when growth in transatiantic investment flows. At end-1997 the stock of British direct investment in North America stood at £83bn, while the comparable figure for

if such capital flows between

By contrast, outsiders are a

unexpected bad debts and trading losses last summer. Reckitt & Colman, the household products group which is reported to be looking in the US as well as the UK for a new chief, is reckoned to be vulnerable to a bid. A consistent pattern, it seem

personal fending.

is that companies in search of a US superman are usually ones with credibility problems. They are anxious to deflect pressure from analysis and institutions and to ward off the threat of

tutions should be more sceptical about these US chief executives. So far they have shown themselves to be expensive or footloose or both. And as the search consultant Mr Johan save, there must be a suspicion that something is very wrong with a company that cannot find the talent from within its own ranks.

ings among institutional investors, because of the knock-on effect of the much higher salary packages needed to secure a US chief executive.

Mr O'Neill's package broke new ground with an innovative deal in which he put up £5m of his own money to buy Barclays shares, and the bank matched the purchase. But the basic salary of £850,000 - twice Derek Wanless's at rival National Westminster Bank - has set a standard that British banks, including Barclays in its resumed search for a chief executive, will

Earnings squeeze

tors are hoping for some good profits news in the first-quarter in 1998. Yet, despite a few early. star performers, there are few reasons to be optimistic about this year's earnings outlook.

Although gross domestic product grew by 4.3 per cent last year, total profits of US companies were flat. The top Fortune 500 companies fared even worse, with earnings down 1.8 per cent year-on-year. The main reason was a squeeze in profits between weak pricing power on one hand, and wage growth on the other.

True, growth in average weekly earnings (4 per cent in 1998) was more subdued than expected, given low unemployment. But this has to be compared with a rise in economywide prices of only 1 per cent (and a fall in producer prices), a result of global deflation.

Many companies responded with strong productivity gains, and cuts in non-labour costs. But this was not enough to plug the gap. The result has been a rise in the share of national income going to labour compensation, at the expense of corporate profits.

Many forecasters are predicting that profits will bounce back this year. The main reason for hope is the improvement in the world economy. The recovery in oil investors will take fright at this prices will help US energy com- prospect is another question.

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Shift when

With the US Dow Jones index paries; and the dampening effect racing past the 10,000 level, investof last year's General Motors

results season, after a lean year resulting from the inability to pass on higher labour costs will, if anything, intensify. The labour market is tighter than ever, and the scope for compensating productivity gains is not encless.

An improvement in the world economy would help American But remember that exports make up only 11 per cent of GDP - and that US output growth could soon cool from its current siz-

cannot continue forever. that profits will again fail to grow this year (although the internationally active S&P 500 companies are likely to do better than average). Such a longlasting earnings standstill would look increasingly anomalous alongside historically high equity valuations. Whether, or when,

strike will be removed. But the pressure on profits

zling pace: Finally, two of the factors supporting earnings were only temporary. First, profits have been flattered by lower interest costs, as interest rates fell; but rates have almost certainly now bottomed out. Second, many compa nies have been reducing their cost of capital by buying back shares, and increasing their levels of cheaper debt. This process

Overall, it is not implausible

should not be ignored.

Directors' pay packages in the US are significantly more generous than in Surope and any migrant to the UK can be expected to demand an over-the-odds package by local standards. Since companies' trading prospects. bend hunters' has are related to pay, a form of one-way arbitrage that raises UK rewards without way up. reducing those in the IIR is

> immensely attractive to them. They might not be able to seek an exclusively American solution without a steer from the company concerned. But nor is it surprising, given the incentives, that

The sound of an American accept is no rare thing in the corridors of Burclays Bank. Although it is one of Britain's more tradition-bound hierarchies, and one which only recently moved beyond the hereditary principle in selecting its top managers, Barclays has Americans running two of its four operating divisions - Patti able candidate in the whole of Dunn at Barclays Global Investible UK, let alone among its own tors and Bob Diamond at Bar- sinff.

caused spluttering in the City when it looked overseas for a chief executive following Martin November. When Barclay's

Expensive, but available

choice fell upon Michael O'Neill, immer chief financial officer of Bank of America, City commentators complained that things had come to a pretty pass when Barclays could not find a suitable candidate in the whole of

Nevertheless, the bank still on the other foot. Barclays was a breeding ground for high-flying when the route to the top of the headquarters appeared blocked.

of Lloyds TSB, cut his banking teeth at Barclays, as did Malcolm Williamson, former chief executive of Standard Chartered and now head of Visa International,

the card payments group. Yet American banks have made more progress than their counterparis in other countries in balance sheet management, capital allocation and the development of electronic channels of distribution. Mergers within the Taylor's abrupt departure in group's ugly Lombard Street industry have proceeded at a overseas would be Americans. furious pace, too, so it is no sur-

experienced and well-qualified bankers who 10 years ago might have stayed at home to become chief executive of a domestic institution.

Sir Peter Middleton, Barclays acting chief executive, revealed vesterday that the bank's original shortlist had included three candidates from inside the UK and three from outside. London headhmiers said it was probable that all three candidates from The trend provokes mixed feel-

Shipyard test

worse, from the government's viewpoint just as the campaign for the new Scottish parliament begins, Kvaerner, the Anglo-Norwegian engineering group, plans to sell all its shipbuilding activities, including Glasgow's Govan and Clydebank yards.

Kvaerner is Europe's largest shipbuilder, with operations in Norway, Britain, Germany and Finland, and it will be shedding up to 25,000 jobs. Some 2,000 are at risk on Clydeside, where the Govan yard has special emotional resonance: it is one of a handful left on the river, once a cornerstone of Scottish manufacturing, and it was the site of the Upper Clyde Shipbuilders work-in in the early 1970s which forced a U-turn in the Conservative government's "no lame ducks" industrial pol-

The government yesterday announced the formation of a special taskforce to find buyers for Govan and Clydebank. That is a sensible use of official resources and good politics: the May 6 poll may have passed by the time the team reports back, reducing the impact of Govan as

a campaign issue Yet as the political heat. mounts over the next few weeks, Tony Blair, the prime minister. and Donald Dewar, the Scottish secretary, may come under pressure to pledge financial support

for Govan. The temptation must be resisted. There is no reason why

The timing could hardly be taxpayers' money should be poured into an industry of questionable profitability, squeezed by global overcapacity and competition from low-cost Asian cen-

> The Govern yard has made much progress in labour relations and working practices under 10 years of Kvaerner ownership, but it has been losing money for most of that time and is expected to run out of work by June. If it is to survive, it should be because a new owner can change its economics, not because of official handouts.

> The government's attempt to shake off Labour's traditional industrial interventionism has been put in question by several policy decisions, including this month's agreement to inject £150m into BMW's plant at Longbridge.

> its declared policy is to boost productivity, innovation and investment across the economy rather than supporting individual industries. On that basis, there are no grounds for it bailing out Govan and, in fairness, there are as yet no signs it intends to do

If its resolve needs strengthening, it should recall that while Clydeside has been withering along with much of European shipbuilding capacity - Glasgow has remade itself as a selfconfident and prosperous city. Tampering with Darwinian industrial evolution is usually wrong and mostly futile.

Sharon's Kremlin iove-in

Just what is Ariel Sharon up to? First Israel's bulky foreign minister says fran is backing the Kosovo Albanians, so he steers clear of criticising Slobodan Milosevic.

Then he rushes off on his third trip to Moscow in as many . months - without consulting his own foreign ministry. There, he cuddles up to Russian prime minister, Yevgeny Primakov, in a clinch that throws several decades of mutual animosity

Gone are suspicions of though the noted Arabist, intelligence expert and meddler Iraq's President Saddam

Forget too that Russia is again arming Syria, Israel's neighbour. Hardly matters, Israel, all of a sudden, wants Russia back in the Middle East. Government officials don't find

It too easy to explain the change in strategy. Some say Sharon, backed by prime minister . Benjamin Netanyahu, wants to woo israel's immigrant Bussian vote ahead of partiamentary and premieranip elections next month.

But cynics carp that it's all about snubbing the Americans. Washington's become ever more critical of Israel's refusal to

implement the latest peace accord with the Palestinians. can kick some sand into Bill Clinton's face, Sharon's probably only too happy to oblige.

OBSERVER

Fully covered

going as the rest.

The lines outside Chinese bureaucrats' offices have long been peopled with Americans eager to do business with the country's billions. Insurance salesmen are as desperate to get

China's offered to open up its markets to international insurance companies in its bid to ioin the World Trade Organisation, but not much is ely to happen straight away.

Which makes the accomplishment of US insurer John Hancock all the more impressive. Last week the company was one of four foreign insurance groups given licences to operate in the country. The insurer has had offices in

Beijing for five years, and hasn't stacked in cultivating its friends. In 1997 John Hancock hosted a luncheon for Chinese president Jiang Zemin in Boston and last year brought former president George Bush to Beijing. Bush, a former US special

envoy to China as well as a one-time head of the Central Intelligence Agency, has plenty of standing there. And it won't have escaped Beiling's attention that

for the White House in 2000 also bears his name.

Paper mountain In a year dominated by pure

paper takeover offers, it was only a matter of time before a company crossed into the realm of the truly weird.

Westlinks Resources, a tiddler of an oil and gas concern that's all but unknown even in its home province of Alberta, made a C\$2.5bn, all-stock offer yesterday for stakes in over 40

Canadian oil and gas companies The targets of what Westlinks calls "multiple, simultaneous, hostile takeover bids" include Anderson Exploration and Poco Petroleums, which both have market capitalisations of wei over C\$1bn.

With just C\$1.8m in revenues last year and 2.6m shares outstanding, Westlinks is planning to finance the bid by ssuing up to 1.7bn shares. It's offering a 50 per cent premium on its targets' shares. Analysts were chuckling with

disbelief at the bid yesterday. But with internet companies changing hands in almost equally eye-popping transactions, it's hard to know for sure who'll have the last laugh.

Shrinking violet

Sometimes it helps if you don't make waves. Fujio Cho, who's the man who's leading the race | been named as Toyota Motor's next president, has a sheepish grin and a sluggish style. That's probably exactly what Cho's paymasters in the Toyoda family

Cho, who headed manufacturing operations in the US, is a pale shadow compared to his predecessor Hiroshi Okuda, who masterminded Toyota's break into businesses

such as consumer finance.

Although Okuda will stay on as chairman, Observer hears the Toyodas were keen to bring the company back under greater tamily influence. Still Cho's low-profile style might not play so well to the international audience, if he wants to get ahead outside Japan, he'd better practice that smile.

Penny pincher

Georges Ghosn, the proud new owner of French tabloid France Soir, made a splash when he entered its offices for the first time yesterday.

He shares a surname and en attitude with Carlos Ghosn, the auto executive who's known as "le cost-cutter". And true to form. Georges declared "the end of squandering" at the paper, which loses about FFr10m a month.

Just one bad move. Puffing on one of his customary cigars, he triggered the fire alarm, which calls in the fire department and costs FFr2.000 to reset. At least he didn't use a 500-franc note as

George Graham Financial Times

100 years ago

Easter holiday traffic Considering the early date at which Easter fell this year and the rather threatening weather conditions that prevalled at the commencement of the vacation, the holiday traffic receipts of the railways must be accounted satisfactory, particularly as the comparison is with a period when the takings were the highest on record. The portion of the passenger business most likely to be influenced by the early incidence of Easter, was, of course, the long-distance traffic, which commenced on Good Friday or the day before and we find accordingly that one or two lines register a decline in takings.

50 years ago

German industry Under an agreement reached between the U.K., the U.S., and France, Germany will be forbidden to build passenger ships, but will be allowed to build dry-cargo ships and tankers up to 7,200 gross register tons with a speed not exceeding 12 knots. The agreement, which prohibits some industries in Germany until a peace settlement is made, allows Western Germany to produce 11.1m tons of ingot steel a year.

FINANCIAL TIMES

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WEDNESDAY APRIL 14 1999

THE LEX COLUMN

Non-stop shop

Welcome to the "shop until you drop" economy: while consumers are doing the shopping, inflation is doing the dropping. US retail sales are rising at their fastest for nearly 20 years and consumer spending growth for January to March could hit a staggering 7 per cent. Even factoring in the drag from a rising trade deficit, firstquarter gross domestic product will grow nearly 4 per cent. Yet yesterday's consumer price numbers show headline inflation at a quiescent 1.7 per cent. The only Americans feeling any pain appear to be forced to rip up their forecasts of slower

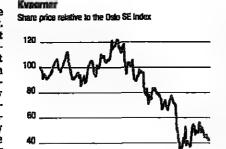
Nor is it clear what will slow consumers down. The boost from mortgage refinancings and tax rebates will fade a bit over the summer, but will remain positive year-on-year. Nominal income growth is a healthy 5 per cent and equities are setting new records. Meanwhile, the world economy appears to be past the worst, which will help US exporters. Short of a stock market crash, the domestic economy will turn in another year of 4 per cent growth.

This is dangerously fast. While productivity growth has undoubtedly improved, If the economy continues to grow above its long-term trend rate of around 3 per cent either unemployment will have to fall to zero - which is impossible - or it will trigger inflation. Once the Federal Reserve acknowledges this, it will have no choice but to raise interest rates.

Kvaemer

Kvaerner's new chief executive - parachuted in from ABB to reverse a decade's empire-building - has a plan that, on paper at least, can save the Anglo-Norwegian group from its creditors. Targeting Nkribn (\$130m) annual cost savings and a Nkr7bn reduction in net debt, Kjell Almskog hopes to raise operating margins to 2-3 per cent and returns on equity to 15 per cent-plus by the end of 2001. Investors must be forgiven for scepticism; Kvaerner has said as much many times in the past. But from Mr Almskog, such goals have more credibility. And given Kvaerner's Nkr11bn net debt - nearly twice its diminished market value – anything less aggressive would have been disappoint-

decision to quit shipbuilding,



accounting for around 20 per cent of group revenues, is proof Mr Almskog means business. With 10,000 employees in 13 yards, Kvaerner is one of the world's largest shipbuilders. And although shipbuilding provided a big chunk of group profits last year, as subsidies dwindle the outlook for this highly capital-intensive

business is bleak. Kyaerner will be lucky to find buyers for half of its yards, and closing long-standing lossmakers like Scotland's Govan will be expensive. Still, further disposals, particularly that of the civil engineering arm, should follow soon if Kvaerner seriously wants to be focused. So for the moment, although its nadir is probably past, Kvaerner remains a challenge best watched from the sidelines.

Barclays

Oscar Wilde's Lady Bracknell would not have been amused. To lose one chief executive might be bad luck, but two within six months smacks of carelessness, even if the second never actually took up the post. Nonetheless, Barciays can justifiably claim that bad luck - in the form of a previously undiagnosed heart problem has robbed it of the services of Michael O'Neill, the expensive American it netted

The market's unruffled reaction to Mr O'Neill's withdrawal seems justified. Since Martin Taylor's resignation in November, Barclays has addressed many of the concerns that were vexing inves-tors. The bank has pledged to hold down

costs, after last year's worrying 5 per cent uptick. It is also reining in Barclays Capital, which should boost the investment bank's anaemic returns. The medicine is starting to work. Barclays has been the best performing UK bank over the past three months.

However, it should not dawdle in finding a successor. With European banking in turmoil, a seasoned hand on the strategic tiller is needed. Barclays says it can revert to the shortlist drawn up before Mr O'Neill's appointment, cutting the search time in half. Another option might be a merger. The lack of a chief executive would at least prevent an ego clash. Both Bank of Scotland and Royal Bank of Scot land intimated interest following Mr Taylor's departure. Now Barclays' shares are perkier, the idea might merit another

Laporte/Clariant

Swiss secrecy is renowned, but Clariant must be setting records. Laporte, a UK chemicals rival, acknowledges a takeover approach. It is widely known this approach comes from Clariant. The next day, the talks are off. All very mysterious and not a peep out of the Swiss chemists. Clearly, the episode must be embarrassing to Clariant. The company already has one set of failed merger talks to its name, with Ciba. It is even stranger since the usual stumbling blocks do not seem to have played a part. Management egos were apparently under control. And negotiations on price seemed to be moving along fairly smoothly. Of course, Clariant, has one issue in the shape of 45 per cent shareholder, Hoechst. Hoechst may have disliked a deal that increased its exposure to chemicals, because of its own proposed merger with Rhone-Poulenc to create a more exciting life-sciences combine.

But Hoechst is represented on the Clariant board, so would surely have made its concerns known. And investment bankers are paid to come up with schemes to overcome such hurdles. If the issue was Hoechst, a special purpose vehicle could have been created to hold the Laporte assets until Hoechst unwound its Clariant stake, Rhodia - in which Rhone-Poplenc owns a stake - proposes to do this, if it clinches a takeover offer for Albright & Wilson, another UK chemicals company.

STATE TO LAY OFF ANOTHER 7M AND FURTHER 26M LOOK TO GOVERNMENT FOR PENSIONS

China's welfare system set to come under huge strain

China's state welfare system is set to come under unprecedented pressure this year, as state enterprises lay off another 7m workers - 1m more than last year - and a further 26m people turn to the government for their

State-owned enterprises have in the past been responsible for the bulk of pension payments and social welfare benefits for employees and

have grown, companies have proved unable or unwilling to meet social responsibilities, passing the growing burden directly to the government. The ministry of labour and social security expects that by the end of

June the state pension network will have expanded to cover 110m people, 26m more than in 1998. Meanwhile, the government expects it will need about Rmb24.5bn

(\$3bn) to meet welfare and reemployment costs for workers laid off by state enterprises this year. Wang Jianlun, vice-minister, was

better care of laid-off workers and further expanding coverage of the pension system are being given priority by the ministry." His comments, published in yester-

day's China Daily, reflect concern in Beijing over rising dissatisfaction among workers and pensioners in the state sector.

Many have not been receiving full or prompt payment of their salaries

Earlier this month, a trade union leader at Capital Iron and Steel in Beijing, one of China's largest and best-known industrial state enterprises, said tens of thousands of workers had not been paid for more than two months.

In other parts of China and in many other sectors, there are similar reports of state companies making only partial or zero payments of salaries to workers and delaying payments of pensions.

Official figures show urban unemployment at 3.1 per cent at the end of 1998, with 11.5m people out of

state sector have found employment. But many economists still believe the number out of work is far higher, particularly if workers laid off from state enterprises but still on the company books are included.

Under the government's plan to assist state sector lay-offs, the state. the unemployment insurance fund and state enterprises will together meet the costs of a monthly allowance of Rmb140-380 for a maximum of three years for a laid-off worker who enrols at a re-employment

Separately, statistics released yesterday added to what is becoming an increasingly mixed picture of the conomy in 1999.

After reporting a 7.9 per cent fall in exports and a 59.8 per cent decline in the trade surplus in the first quarter of this year. China announced yesterday its foreign exchange reserves rose slowly but steadily by \$1.67bn in the first quarter of 1999 to \$146.63bn.

Trade talks run-up threatened by WTO leadership dispute

leadership is likely to force the World Trade Organisation to miss another deadline today as it seeks to replace Renato Ruggiero, WTO director-general, by the end of the month. The deadlock has raised fears that

the WTO may find itself rudderless as it prepares for global trade talks, scheduled for the end of the year in

Supachai Panitchpakdi, the Thai deputy premier, is pitted against Mike Moore, the former New Zealand premier, for the top job in world trade regulation. Supporters of Mr Supachai yesterday accused the US of blocking a consensus on his candidacy in the hope that a further delay would favour Mr Moore, Washington's preferred candidate.

At today's meeting of the WTO's ruling general council, the two trade envoys charged with consulting the 134 member countries are expected

to announce that neither candidate it will not block Mr Supachal if he commands the necessary consensus. Mr Supachai's backers claim 80 countries have pledged support for him, including most of those in the Asia-Pacific region and the Middle

They also claim to have the support of most African nations, half or more of European, Central American and Caribbean WTO members, and a sprinkling of South American

Mr Moore, while behind on the head count, is backed by some of the WTO's biggest traders - including the US, Germany, France and Italy which account for almost a third of world merchandise trade.

The former New Zealand trade minister, who has been chipping away at Mr Supachal's support, leads his Thai rival in Latin America and has solid backing in other developing regions as well as in Europe.

No country has threatened a veto

of either candidate, and the US says

can command a consensus. However. Mr Sunachal's supporters believe the US is stalling to give Mr Moore time to win over countries. Mr Moore's backers say some

326

277

202

countries are only now making up their minds after the two other candidates, Roy MacLaren of Canada and Hassan Abuyoub of Morocco, were eliminated last month. "Achieving consensus takes time,"

said one insider in the Moore camp."Provided we get a decision by the end of the month, the delay is not a problem."

Though both sides say the contest is not a north-south battle, the Supachai campaign argues that it is time for the WTO to have a leader from the developing countries. All previous heads of the WTO and its predecessor, Gatt, have been Europeans,

Three-quarters of WTO members are developing countries and they play a greater role in the world trading system than ever before.

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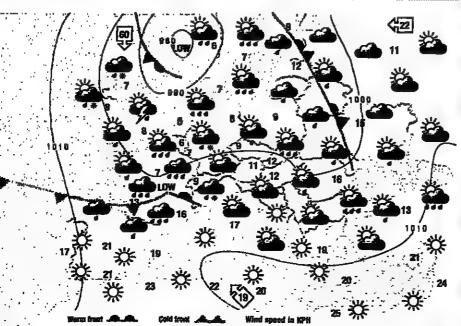
Europe today

Much of southern Europe will be warm with sunny spells. Northeri kans. Cold and unsettled north-west Europe. Some of the showers will be heavy and wintry. southern Norway and southern Sweden will be chilly with sunny spells and showers, while an area

Five-day forecast

next few days. Eastern Europe will be much milder. It will turn hot in Greece during Friday and

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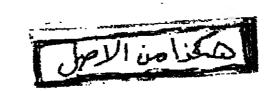


Who provides Mitsubishi Corporation with cutting-edge professional services?

the answer

Deloitte Touche Tohmatsu

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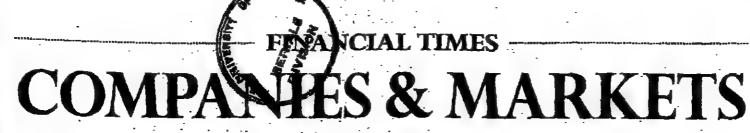
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INSIDE

Merrill posts record earnings

A strong underwriting performance and a large volume of business deals helped Memil Lynch and Palne Webber Group post record earnings, boosting share prices across the securities industry sector. Page 17

RJB Mining signs four-year contract RJB Mining, the UK's largest coal producer. secured a market for most of its near-term output by agreeing a four-year deal worth up to £800m (\$1.30n) with National Power, the country's second largest generator. Page 19

Seoul equities continue to soar Seoul, the world's best-performing stock market last year, is already up 22 per cent in 1999. It neared the 700-point barrier yesterday as the Kopsi index closed at an 18-month high. Foreign investors have contributed to the buil run.

Anxiety returns to Japanese banks Tokyo's Y7,450bn (\$62bn) injection of public funds into 15 banks last month seemed to signal that the first stage of the national banking crisis was over. But the failure of Kokumin Bank, a second-tier regional bank, may be a sign that a second stage has begun. Page 18

Tesco raises pressure on Sainsbury Tesco, the UK's largest supermarket group, posted a 7.8 per cent rise in annual pre-tax profits to £881m. The figures intensified the fear of more grim news this week from J Sainsbury, the food sector's number two retailer. Page 19

Brazil sours Australian sugar trade A shift in global trade flows, collapsing world prices and wet weather are threatening sugar traders in Australia, the world's second largest sugar exporter. But their greatest threat comes from Brazilian sugar exports to Asia. Page 24

Foreign interest lifts Czech beer

Prospects for the Czech beer sector have been boosted by foreign interest. The victory of Nomura, the Japanese investment bank, in its two-year battle with Bass, the UK brewer, to create central Europe's biggest brewer could lead to the sale of the new concern to an international brewer that has the money and expertise to market Czech beer properly. Page 16

Tussauds to securitise ticket sales Tussaude Group, which includes the Madame Tussauds waxworks museum, is to launch a \$230m bond securitised on ticket and merchandise sales in the first asset-backed offering by a: European leisure group. Page 22

FT extends euro-zone coverage The FT is extending its euro-zone financial cov-erage with a new look for the Euro Prices page (renamed Euro Markets). From today, it will conpean equity, fixed income and currencies markets. In this edition it examines the attractions of European value and growth stocks. Page 37

Clariant and Laporte call off takeover

discussions

By Virginia Marsh in London, Uta Hamischieger in Franklust

Clariant of Switzerland and Laporte, the UK chemicals on a potential £2bn (\$3.2bn) takeover yesterday, just hours after Laporte revealed it was in negotiations with a possible

It is believed the talks. which were at an advanced stage, were halted because of Clariant's failure to secure the approval of Hoechst, its largest shareholder with 45 per cent.

Clariant declined to comment yesterday or to confirm it had been holding talks with Laporte. However, it is understood to have been preparing a cash bid of about 800p which, including debt, would have been worth about £2.1bn.

It is unclear whether Clariant failed to inform Hoechst fully of its plans or whether the German group was against However, Hoechst, which is

in the middle of a complicated life sciences merger with Rhône-Poulenc of France, has three representatives on Clariant's supervisory board. It is believed the Swiss group had asked Laporte for more time to consult with Roachst and been refused by the UK group.

Shares in Laporte fell 95p, or 12.5 per cent, to 667/4p after rising nearly 30 per cent on news of the talks on Monday.

fie that raised questions about

the future strategy of Japan's

Hiroshi Okuda, the com-pany's dynamic president, is to

be made chairman and will be

replaced by Folio Cho, an expc-

The move follows mouths of

speculation about friction

although scarcely comparing

with the internet sector, has

been one of the most successful areas in recent

veers for the creation of

entrepreneurial fortunes.

A handful of bright

biggest automotive group.

ntive vice-president

which in December called off a merger with fellow Swiss group Ciba that would have created the world's largest speciality chemicals group.

Hoechst declined to comlant/Laporte talks. But ana lysts said it may have been against the deal because of complications it could have caused for its own merger. Hoechst is to dispose of its industrial interests, including its stake in Clariant.

Although Clariant was planning to pay cash for Laporte, analysts said the Swiss group would have been likely - or at least expected by the market to issue paper subsequently. This could have depressed the value of Hoechst's holding. Hoechst and Rhône-Poulenc

decided a month ago to accelerate their merger into a new company called Aventis in a move to secure the backing of Kuwait Petroleum Corporation, the German group's largest shareholder. Under the original plans, it aimed to sell its Clariant stake and other industrial activities before the full merger in 2001 or 2002. But since speeding up the merger, it has only said it will sell the non-core activities as soon as

Analysts said other bidders for Laporte could include PPG Industries, the US paints

which owns less than 2 per

highly influential.

The incident is an embar- Ler, Page 12



Kvaerner revamp spells end of shipbuilding role

and the Burt in Blackholm

Kvaerner, the losemaking Anglo-Norwegian industrial engineering group, yesterday unveiled a fundamental restructuring involving its withdrawal from shipbuilding, provisions of up to NKr4bn (\$518.5m) and a cost-cutting plan to reduce debts by Kr7bn this year.

largest integrated manufacturer of cruise ships, liquid gas - said the programme would reduce turnover by Nkr25bg to Nkr55bg. It would also shrink its staff from 80,000 to 55,000, mostly through disposal of non-core assets.

Kjell Almskog, the chief executive recruited last year to overhaul the company. described the measures as "an important milestone" towards

profitability. As part of the sider closures of lossmaking plan, he also announced a yards or seeking an exit NKr2bn rights issue to strengthen the group's tattered balance sheet, while taking one-off charges of NKr2bn to cover lossmaking contracts, disposals and litigation claims across its shipbuilding, oil and

tion activities. A further provision of up to NKr2bn is to be taken to cover possible losses on the exit from

gas, engineering and construc-

"The plan for this 'new Kvaerner' is to create a group that is significantly smaller and much leaner, but infinitely stronger," Mr Aimskog added. Kvaerner is considering

spinning off its largest shipyards to shareholders while seeking trade buyers for smaller yards - including the lossmaking Govan yard in Scotland. Falling that, Mr Almskog said the group would con-

through a joint venture or merger that could lead to an initial public offering. Other businesses, including

metals equipment, energy and mechanical engineering, have also been sarmarked for sale. The withdrawal from shipbuilding will rid Kvaerner of Nkr2bn-NKr3bn of net debt and affect 10,000 employees.

Mr Almskog confirmed the company was talking to Aker Yards, a unit of Norwegian holding company Aker RGL and other shipbuilders on the joint venture alternative.

Kvæerner's most commonly traded A shares, which have fallen 60 per cent in 12 months. closed down NKr1.50 at NKri36 in Oslo.

Editorial Comment, Page 11; Lex, Page 12; Facing radical surgery,

Canadian toll road deal goes to Spanish-led consortium

By Scott Morrison in Toroida

A consortium led by Grupo Ferrovial, the Spanish construction company, has reached a C\$3.1bn (\$2.05bn) agreement with the government of the province of Ontario to operate a pioneering electronic toll highway.

The deal is Canada's larges privatisation and is about double the financing the province provided for the road's

The winning consortium also includes SNC-Lavalin, the Canadian engineering group, and Capital d'Amerique, a subsidiary of the Caisse de depot et placement du Quebec, the provincial employees' pension

Under the terms of the sale. the winning group will operate the road and charge tolls for 99 years compared with the 30 years Ontario residents expected to pay tolls for using the highway.

The Toronto toll road, which uses an electronic system to track and bill users, was built and operated by Canadian Highway International, a private firm.

The consortium also agreed to finance, design and build enextension at each ends of the highway at an estimated cost of C\$500m.

Jacques Lamarre, SNC-Lavalin's chief executive, said an additional C\$400m required for debt servicing and working capital would bring the consortium's total investment to more than C\$4bn.

Grapo Ferrovial will own 61 per cent of the project, SNC-Lavalin 28 per cent and Capital d'Amerique 16 per cent. Advisers to the consortium were Nesbitt Burns, Salomon Smith Barney and SNC-Lavalin Capi-

partially opened 69km strip of highway crossing Toronto's north end, was the first big asset put up for sale by the government of Mike Harris, the conservative provincial premier elected in 1995.

Tolls charged by the private group may be adjusted by two per cent a year plus inflation for the first 15 years, and thereafter by the rate of inflation only.

The province will have the ability to claw back toll revenues if preset traffic levels are not met.

COMPANIES IN THIS ISSUE

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MARKET STATISTICS

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CROSSWORD, Page 24

ong-term track records have individuals can generate excess investment returns for several years, build substantial already been ruined. Perhaps conditions have portfolios through taking on been freakish, but it can be argued that portfolio ension fund mandates or selling mutual funds, then sell managers' use of information out to empire-building banks technology has reached an extent where market efficiency or insurance groups for a

This game plan has always worked best in the US, where a houtique culture has been nurtured by powerful investment consultants, and where investors are willing to back bright newcomers, but there are plenty of examples in

Europe and the Far East too.

significant percentage of assets

The future may be different. however. The investment management consultancy arm of PwC predicts a decisive power shift from the asset management teams to the back office and marketing departments. Its report, Tomorrow's Leading nvestment Managers*. sublished in co-operation with the Economist Intelligence Unit, predicts polarisation into

investment asset "manufacturers" that create the products and "integrators" that gather the assets. The integrators will be powerful, brand-led operations and will assert increasing control over the value added within the

Efficiency drives out flair

money managers have been joited by imusual investment

conditions of the past year or

enchmarks. This year's first

quarter saw a modest reversal

two that have led to severe

underperformance against

of those trends - but many

has made skill all but

Index-trackers have

enefited enormously and they may provide precedents for the

"TLIM" paradigm proposed by PwC. Tracker managers

enerate econômies of scale.

product so that it can readily

consumer brand names (such

There will never, of course,

be a single paradigm. In the

past the performance driven

model has existed in parallel

approach, which has depended

almost entirely on personal

high-net-worth individuals. In private banking performance,

measurement has not only

been unimportant but often

Niche players will always

exist. However, the general

transfer of power from the

organisation may be

front office to the rest of the

irreversible. Out will go flair,

in will come efficiency. PwC

relationships with

with the private banking

and have commoditised the

be labelled with all-purpose

as Virgin in the UK).

edundant

warned that the selection of

Okuda and the Toyoda family, Mr Cho represented an announced in May at the time attempt by the Toyoda family to strengthen its control.

oyota move raises questions on strategy

cent of the group, but remains Noriaki Hirakata, analyst at Analysts say Mr Okuda has Morgan Stanley in Tokyo, said: "This marks a very critical been anxious that Toyota should not use capital to prop transition. Toyota can either become still more shareholder up members of the Toyota keiretsu, or business grouping. friendly, or it can retreat into Salcura Bank and Tokai Bank a family business. While most have both asked Toyota, which companies are reducing their holds large reserves of cash, iceiretsu links, Toyota appears to be moving in the opposite Some industry officials had

He said appointments

will no longer be the most important factor in success.

Instead there will be three

knowledge. This will apply not

other key elements. The first

will be the management of

knowledge of customers and

the competitive marketplace.

just to investment

decision-making but to

Second, technology: investment manage

people-intensive to a apital-intensive industry

rapidly shifting from a

where the integration of

risk. Recent performance

the investment side, the

go. In other areas of risk,

computer security, further

thought-leadership panels".

True, if you ask big company

executives about the future of

money management, they will

marginalising those expensive

hot-performing fund managers

But this may not just be

indeed be forced to retreat to

flemboyance still rules and

the hedge fund industry where

ranging from fraud to

Such is the wisdom emerging from PwC's

inevitably dream about

wishful thinking. The invesiment wizards may

and unpredictable

dangers burk.

systems and the exploitation of

opportunities in, for instance,

internet sales will be vital for

Finally, the management of

disasters may imply that, on

industry still has a long way to

ing influence at the company. Shoichiro Toyoda, chairman, played down the reshuffle, even though traditionally the president wields more power than the chairman.

He said that although the titles did not exist at the Japanese company, Mr Okuda would be the equivalent of

March 1999

Mr Cho would be chief operatof the full-year results might ing officer. include significant promotions for members of the Toyoda family, indicating its continu-

Mr Okuda would also remain representative director, an important post in Japanese companies. Mr Toyoda would become honorary chairman. Toyota's shares closed up Y120, or 3.55 per cent, at

Mr Cho, 62, is corrently in charge of corporate planning information systems, and industrial comment.



Marqués de Griñón • Berberana • Marqués de Monistro Lagunilla • Bodegas Hispano-Argentinas

Leading independent Spanish producer of fine wines

€109 million (Pts 18 billion) **Buy-Out of Arco Bodegas Unidas**

Transaction co-led by NatWest Equity Partners

NatWest Equity Partners

knowledge need not be optimally shared with the men in grey suits.

says investment performance

BNP boosted in bid to acquire Paribas

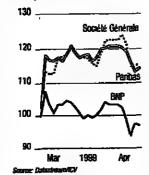
Banque Nationale de Paris' chances of acquiring Paribas improved significantly yesterday when the value of its all-share bid rose above that of a rival offer from Société Générale for the first time

The situation is likely to increase the pressure on French regulators to investigate what the banks claim to be "suspicious" moves in their relative share prices.

However, a linked offer by BNP for SG was still valued yesterday at 2 per cent below SG's share price, reflecting market anticipations that the three-way battle is not over vet. BNP shares fell 1 per cent to €76.60 and SG was down 1.5 per cent at €167.40, while Paribas shares

were little changed at €98.6. "The market is convinced this is not yet a done deal," said an analyst at a bank that is not involved in the "This means anything can still happen, including the emergence of another

Share prices (rebased 9/3/99 =100)



Paribas project." BNP and SG are offering to pay for Paribas with their own shares. BNP is offering 11 of its shares for eight of Paribas, and SG is offering five shares for eight of Paribas. BNP is also offering 15 of its shares for every seven of SG.

Because the rival offers do not include a cash element, the relative share prices are crucial. Since the beginning of the month, the relative prices have given SG's offer bidder or an improved SG- for Paribas an advantage

SG yesterday falling more than BNP, the latter offered a premium of 6.8 per cent over Paribas' market value. while SG's bid gave a pre-

mium of just over 6 per cent. "If these were the prices at which Paribas shareholders had to decide, then they would go for BNP's terms." said the analyst.

The Conseil des Marchés Financiers, the financial markets regulator, is expected to set a timetable for the bids by the end of this week. It is likely to adjust its traditional 35 business day calendar, to account for the unprecedented complexity of the proposed deals. BNP's offer for SG, which is subject to the same timetable, will probably be extended until the fate of Paribas is known.

The outcome is expected to be further delayed by a lawsuit filed by SG and Paribas, challenging the regulators' decision to allow BNP's bids to proceed. The appeals court is expected to rule by the middle of June at the

Vivendi plans partial float

By David Owen In Paris

Vivendi, the acquisitive French utilities and communications group, plans to float up to one-third of its newly enlarged environmental services business within five years.

The company said yesterstrengthen its capacity to develop both organically and

The listing would come only once Vivendi had made optimal use of its tax loss carry-forwards, which was likely to take about three years. However, the group would publish pro forms that the acquisition would index.

advised that it was appropriate and realistic.

Resources and Mining Reserves

Messured

indicated

Probable

Measured and indicated

The main results of the feasibility study are:

Oxide

Sulphide

Subtotal

Sulphide

Subtotal

Subtotal

Sulphide

Reserves have been diluted by 10% at zero grade.

Production commences

Estimated plant recovery

Estimated strip ratio

Production rate

Yesterday's announcement came less than a month after the company agreed to buy US Filter, the largest private US water company, for as the biggest French acqui-

increase of about €3bn (\$3.25bn) and a convertible bond issue of about

Yesterday it confirmed

MORILA GOLD PROJECT, MALI

The Board of Directors of Randgold Resources Limited is pleased to announce that it

has been decided to proceed with the development of a mine on the Morile permit in

Mail, following the completion of a favourable feasibility study. The final feasibility study

1.10

12.24

26.00

6.78

32.78

1.21

14.65

11.09

25.74

The orebody is still open with potential to increase the resources and reserves.

accounts for the Vivendi be at least 40 per cent Environment unit from this financed by a convertible

bond issue. The bonds would have a six-year term and be convertible into Vivendi or Vivendi Environment shares at the investor's choice. The issue, set to be at least €2.3bn, will be launched in

for the benchmark CAC 40

Kvaerner faces up to radical surgery

The Norwegian group has broken with a failing strategy, writes Tim Burt

this week to the board of Kvaerner. The combative chief executive of the Anglo-Norwegian industrial group told directors gathered in and more profitable com-Oslo that radical and far-reaching surgery was required to save the com-

pany from a near-death expebegan, the directors were presiding over one of Europe's largest manufacturing companies - with 80,000 employees and interests spanning civil engineering and construction, to ship-

equipment. Several hours later, they had decided to cut the workforce by more than 30 per cent and dispose or withdraw from businesses accounting for almost a third of the group's near-NKr80bn (\$10.3bn) annual

building and oil and gas

The directors approved a plan that will see Kvaerner withdraw altogether from shipbuilding - it is one of the world's largest commercial ship manufacturers while dramatically scaling anything cheap," said one back loss-making activities in its remaining engineering and construction businesses

Mr Almskog, recruited last year from Swiss-Swedish engineer ABB to revive Kyaerner, said the overhaul would reduce total staffing by 25,000 while cutting business volumes by NKr25bn. In a pain first, gain later strategy, he warned the transformation would require provisions of NKr4bn and a promised useful synergies further NKr2bn rights Issue to strengthen the group's

According to the chief executive, the overhaul will mark the end of a dreadful period for Kvaerner, which has seen its share price

/jell Almskog delivered a halved in the past year. stark message earlier Losses have mounted and net debts have reached

> Kvaerner, he predicted, would emerge as a leaner

"Shipbuilding does not really fit." he added. "It is a drain on profitability and our cash flow and has no When the board meeting synergies with the rest of our activities. Elsewhere, he said Kvaer-

ner had been handicapped

by the pursuit of volumes and thin margin contracts rather than profit margins. All that is about to change. But it remains to be seen whether NKr4bn of provisions and a strengthened capital base, coupled to a more aggressive emphasis

on shareholder value, will be

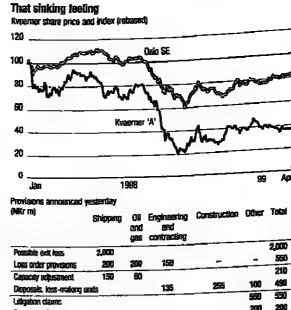
enough to turn round a com-

pany that has been treading water for almost a decade. Erik Tonseth, the chief executive ousted last year to make way for Mr Almskog, oversaw a culture at Kvaer ner where market share and turnover was king. "Erik could never resist acquisitions and he hated selling

hat appetite for deals reached its climax in 1996 when Kvaerner – lilted in its pursuit of Amec. the UK construction group paid £904m (\$1.45bn) for Trafalgar House, the UK conglomerate that had run up osses of more than £700m in the previous tive years.

industry executive.

At one level, the deal with overlap in the civil engineering and offshore activities of both companies. But Kvaerner conspicuously failed to realise the potential cost-savings and took far too long to dispose of disparate businesses such as Cunard,



Project equity my

the loss-making cruise line. and US housebuilding operations. The group also assumed a mountain of debt finance the acquisition and consequent restructurings, and did not pay it down

soon enough. "Kyaerner lost focus and the market has drawn its own conclusions," said one banker yesterday. "Some people in the company wish they had never gone after Trafalgar House

Mr Almskog was more circumspect vesterday. He said some of the former Trafalgar House businesses "could be taken forward. But we have had to look at the whole business from scratch. The state of affairs on my arrival was less than perfect."

If anyone can transform Kyaerner, former colleagues of Mr Almskog at ABB say he is the man. "People don't love him, but they respect his actions," said one.

The challenge now will be to put the fine words into action. In order to maintain the confidence of Kvaerner's 54 lenders, Mr Almskog will have to act fast to realise the disposal or closure strategy in shipbuilding and other divisions.

If and when the group is streamlined and returned to profit, questions will remain on where it goes from there. Given the oil price and demand for turnkey power and engineering projects in south east Asia, the remaining divisions may struggle to show sizeable returns for some time.

By stripping out NKrlbn of costs a year and reducing debts, the new Kvaerner may itself become a takeover target after all the hard work has been done.

Mr Almskog is unfazed. "I am trying to create shareholder value," he added. "If we are vulnerable to takeover when we are finished, then at least it will show we have made Kvaerner an

Caja Madrid sells 3% stake in **Telefónica**

By Tom Burns in Madrid

Caja Madrid, Spain's second largest savings bank, is selling its 3 per cent stake in Telefónica, leaving the dómi nant domestic telecommunications group short of a key reference shareholder at a time of turmoil in the Euro-

pean telecoms sector. The €1.3bn (\$1.41bn) disposal - which is being conducted by Goldman Sachs the US investment bank, and involves an open market sale - fuelled speculation that Telefónica, like Telecom Italia, could be vulnerable to predators.

The Spanish operator is the biggest blue chip on Madrid's stock market and 35 per cent of its equity is owned by foreign institutions. Banco Bilbao Vizcaya, which had owned 6.14 per cent of Telefonica ahead of its full privatisation two years ago, last month reduced its stake from 4.6 per cent to 3.2 per cent.

BBV was one of Telefonica's original core sharehold ers together with La Caira Spain's biggest savings bank, and Argentaria, the formerly state-owned banking corporation, which both continue to own just over 10 per cent of the operator

The Caja Madrid sale is a blow to Telefónica because it gives the wrong signals at the wrong time," said one senior Madrid trader. Analysts pointed out that Telecom Italia, whose shareholder structure is not unlike Telefónica's, failed last weekend to muster support from voting capital to mount a defence against Olivetti's hostile bid.

Caja Madrid built up its 3 per cent stake in Telefónica after the privatisation prothe peer group of core shareholders with control of around 5 per cent of the operator's equity. The investment appeared at the time to assure Telefónica of a secure ownership base.

In a surprising reversal of this strategy the bank said it was pulling out of Telefonica to buy into other industrial assets, citing Indra, the recently privatised electronics group in which it has a 10 per cent stake, and Iberia, the national airline, which is year. The bank stands to earn some €600m in capital gains from the sale of its Telefónica stock.

 Banco Santander Central Hispano, Spain's largest banking group, has paid €40.7m for 5.5 per cent of Retevision, the second domestic telecoms operator. The equity was acquired from the government which sold the rest of its remaining EQT, which has about 30 per cent stake in Retevi-

day the move would sition in the US. coming days if market condi-The group said at the time tions permit. The capital increase will that the cash deal, the latest externally, while retaining of a string of high-profile US come after a one-to-three miserable balance sheet. share split expected next purchases, would be menagement unity. financed by a capital

g/t

10.23

4.34

3.80

4,33

3.76

4,22

9.30

3.99

4.43

3.50

4.03

TOTAL

Gold

11.25

54.94

66,20

46.51

112.71

25.49

138.20

Tons

Gold

11.25

53.63

64.88

38.81

103.69

January 2001

200 000 Tpm

3.85:1

10.7 years

US\$ 133/0Z

US\$ 98.9 million

Mozs.

Gold

0.36

1.77

2.13

1.50

3.63

0.82

4.45

Moore

Gold

0.36

1.72

2.09

1.25

Vivendi shares closed 2.74 per cent, or €8.50, down yesterday at €230,50. This compared with a modest advance

Ericsson buys US internet group

By Nicholas George in Stockholm

Ericsson continued the rush of European telecommunical tion equipment makers to buy into US internet technol-\$450m purchase of Torrent Networking Technologies.

router manufacturer is the to buy the Findus business Swedish group's third move in the sector in the US in the last year, spending in total about \$800m. In the last 12 months Nokia, Siemens, Alcatel and the UK's General Electric Company have all | said yesterday it was negotiannounced purchases of US internet-based equipment suppliers.

The European companies are aiming to win a slice of the business generated when talecoms and internet operators upgrade their systems to cope with the up to 300 per cent annual growth in data communication some carriers are experiencing.

Torrent Networking produces medium capacity internst routers, the switches which concentrate traffic on the internet. The company, which was set up in 1996 and has 80 employees, has yet to make volume sales but has its products placed on extensive tests with large operators.

The acquisition will allow Ericsson to provide operators with a complete range The Swedish company said

the only competitors able to offer operators similar "end to end" solutions were Cisco Systems of the US and Nortel Networks of Canada. What we are getting is a product type that fits well in our existing product line in a market that is still emerging and we are very well posttioned to compete with any-one," said Sven-Christer Nilsson, chief executive.

He defended the company against criticism that its acquisition policy in internet technology had been too slow and too small. "I know some of you have been impatient, but good news takes time and this move is strate gically sound and financially responsible."

Analysts saw the move as being in line with Ericsson's "string of pearls" acquisition policy. Ericsson's mosttraded B shares closed up SKr5 at SKr214.50.

Ericsson was advised by Merrill Lynch, and Torrent by Robertson Stephens.

Cisco in \$2bn buy, Page 17

Nestlé may raise SFr750m with sale of Findus brand

Nestlé, the world's biggest. consumer food company, could raise up to SFr750m (\$507.5m) by selling Findus, one of the world's bestknown frozen food brands, to US-Swedish venture capital erodo.

EQT Scandinavia, a venand AEA, a US venture capi-The cash purchase of the tal company, is negotiating in a move that will take Findus back to its Swedish

Nestlé, which entered the frozen food industry with the 1962 purchase of Findus, ating the sale of frozen food businesses with annual sales of close to SFribn and the Findus brand.

Analysts say the business. accounting for about 40 per

cent of Nestle's SFr2.55h Industri, began life as a European frozen food operations, is low margin and relatively low growth. Nestlé's shares jumped more than 3 per cent yesterday to SFr2,746. James Amoroso, of Bank Julius Baer.

showed that Peter Brabeck -Nestle's new chief executive. more aggressive approach to . Italy.

said the planned Findus sale

Nestlė stressed it intended hoped. to remain a major player in

try, but wanted to focus on strategy, it announced the ure. purchase of a small Spanish sales of SFr90m yesterday.

Swedish canning company. After being taken over by Marabou, Sweden's biggest chocolate manufacturer, in 1941, it began experimenting with deep freezing, and Findus frozen peas and spinach began appearing in Swiss After Nestlé acquired the

when it announced the Investor, part of Sweden's Findus frozen food salesman Findus into Belgium, France. Wallenberg family empire, - was starting to take a "Switzerland, Germany and restructuring Nestle's-portfo- However, the business has

not been as profitable as Nestlé and EQT declined

Europe's frozen food indus- to disclose the terms of the sale, but analysts speculated higher-margin and faster. that despite the strong Fingrowing segments such as dus brand name, it would prepared dishes, snacks and probably be sold at a dispizzas. In line with this count to the SFribn sales fig-

frozen food company with \$1bn of funds at its disposal, ston to existing shareholdplans to float Findus on the ers, among them Telecom Findus, short for Frukt stock market at a later date. Italia and Endesa.

NEWS DIGEST

PAY TELEVISION

MIH shares up 8.6% on first day of trading

Shares in MIH, an operator of pay television services, ended 8.6 per cent above their offer price yesterday on their first day's trading in Amsterdam. That values the company, controlled by the Johannesburg listed group of the same name, at nearly \$1bn. It raised \$163m in the issue, which it Intends to use for expansion and to pay down debt. The pricing at \$18 was at the top of the indicated range, and the size of the offering was increased. Thomson Multimedia of France has a stake of some 5 per cent in the company, which also listed yesterday on Nas-daq in the US. Gordon Cramb, Amsterdam

AIRLINES

Virgin Express plans buybacks

Virgin Express Holdings, Richard Branson's publiclyquoted low-cost airlines, yesterday won shareholder approval to buy back up to \$15m of shares. An extraordinary shareholders meeting in London agreed the plan, under which the company will initially buy back up to \$7m of shares. Subject to net earnings of at least \$8m this year, the company would then be authorised to purchase up to the full \$15m. The group - which is listed in Brussels and New York - said it expected to buy the shares in the open market from time to time. Susanna Voyle

TELECOMS

€119m Mobistar stake sold

A 3.34 per cent stake in Mobistar, the Belgian mobile telecoms company, was placed on the Brussels bourse yesterday in a bought deal worth €119m (\$129m) managed by ABN Amro Rothschild. The shares were sold by Cobepa, the Belgian investment company. They were placed at £57.50, a 5.2 per cent discount to the previous closing price. France Telecom holds a 51 per cent stake in Mobistar, which was floated last October. Clay Harris

PLACER DOME INC.



become will be paid of At cook on TESSA. · All Dec. se Abjec to

Placer Dome Inc. has announced the appointments of John Crow, former Governor of the Bank of Canada, and Graham Farquharson, President of Strathcona Mineral Services Limited to the Board of Directors. Mr. Crow, a graduate of Oxford University in England, has enjoyed a blue-ribbon career in public finance with positions of increasing responsibility at the international Monetary Fund in Washington starting in 1961 and with the Bank of Canada from 1973. He was Governor of Canada's central bank for seven years to 1994, and in 1993 was elected Chairperson of the central bank Governors of the Group of Ten countries, a position he relinquished when his term as Governor ended. He is currently a senior advisor on financial matters and director of companies.

Mr. Farquharson, a mining engineering graduate of the University of Alberta with an MBA from Queen's University, has been responsible for the overall direction and management of Strathcona Mineral Services since 1974, acting as principal on assignments covering a wide spectrum of activities in the mining industry. including project management, project and company appraisals, feasibility studies, operational reviews and administration of public mining companies. In recent years many of his assignments have been in countries other than Canada, including evaluation of investment

opportunities in Central Asia and Latin America. Placer Dome is an international gold mining company based in Vancouver, Canada.

Life of mine Capital expenditure and working capital to start of production Average life of mine cash operating cost Royalty - not included in cash operating cost Financial Results

Gold price assumption - US\$ 290/oz in January 1999 escalating at 2% per annum in real terms

Internal rate of return

 Net present value at 7% before financing Capital expenditure payback

US\$ 218.8 million 10.5 months

The average total life of mine cash costs of US\$ 153/oz, including royalties, places Monita comfortably within the lowest 20% of the world production cost curve. The mine construction tendering process has commenced with tenderers being invited

to submit quotations in respect of contract mining, power supply, process plant and infrastructure. Depending on the results of the tendering process and the decision on outsourcing of mining and power supply between US\$ 75 million and US\$ 111 million will be required to finance the construction of the mine. It is planned that the finance required will be raised through commercial banking project finance. In this regard NM Rothschild and Sons Limited has been mandated to arrange the project finance and a term sheet has been agreed and signed.

Discussions are in progress with the Government of Mali In respect of its participation Interest in Morila. The Government has a free carried interest of 10% with the right to acquire a further non-carried 10% interest.

In order to ensure that the January 2001 deadline for commencement of production is met, on site pre-development work has already been started.

14 April 1999

Caja Madrid Sells 3% Stake in Telefónica

> IF YOU WANT TO SEE SOMETHING done, just tell some human beings it can't be done. Make it known that it's impossible to fly to the moon, or run a hundred metres in nine-pointnine seconds, or solve Fermat's Last Theorem. Remind the world that no one has ever hit sixty-two home runs in a season. Stuffed eighteen people into a Volkswagen Bug. Set half the world free. Or cloned a sheep. Dangle the undoable in front of the world. Then, consider it done.

HUMAN ACHIKVEMENT



IL COM

Foreign interest has improved prospects for the industry, reports Robert Anderson

Pilsner-style lager, may soon begin to punch its weight in Europe again.

Since the fall of communism, Czech beer exports underperformed because each brewery was privatised separately rather national champion that could attract a foreign stra-

The industry was divided into 71 breweries which fought price wars for a place in the biggest per capita market in the world. Today a quarter of the capacity is estimated to be surplus and prices have fallen in real terms to levels so low that some half-litre bottles now sell for Kcs4 (11 US cents).

But the victory of Nomura Securities, the Japanese investment bank, in its bitter two-year battle with Bass, the UK brewer, to create central Europe's biggest brewing group could lead to the sale of the new concern to an international brewer that has the money and expertise to properly market

The surprise decision of the Czech competition office last month to allow the Nomura controls will also domestic market. force Bass to review its strategy in its only significant brewing investment outside

the UK. Before foreign groups showed interest in Czech brewers, the price war had pushed most breweries into losses, diverting them away from exports. The breweries did not have the critical mass to invest in marketing and sales abroad.

Beer exports fell 11 per cent last year to 1.75m hectolitres, about one-tenth of total production. The only successful exporter was Budejovicky Budvar, whose state ownership and export links built up in the communist period allowed it to stay above the domestic fray.

Bass was the first foreign brewer to try to realise the bought Prague Breweries in 1994 and began exporting Staropramen to Germany and its chain of UK pubs. Bass also acquired a 33.4

the second biggest brewer. It began negotiations to buy out the majority owner. Investicni a Postovni Banka (IPB), and merge the breweries into a group control-

zech beer, the original biggest brewers which ling about 30 per cent of the the Czech Republic. It has

However Nomura, which became interested in the beer industry while an adviser to the Czech government, blocked the purchase. The Japanese bank had forged a close relationship with IPB - which through a web of subsidiaries controlled both Radegast and

Prazdroj, the market leader - and eventually bought the troubled bank from the government for Kcs3.03bn (\$85.6m) in March last year. Nomura applied to merge the breweries but was rejected twice on the

grounds that their combined 44 per cent stake would prevent free competition. However last month the new chairman of the competition office secretly reopened the case and gave Nomura the

Bass has protested and threatened legal action but now seems to be only a nuisance to Nomura. Through its 34 per cent stake in Radegast, Bass can block a legal merger but not a holding company structure in which Radegast uses Prazdroi's efficlent distribution network. The decision caps Basa's

disappointing experience in

yet to make a profit with Prague Breweries, which last year crashed to a record Kcs880m loss, partly because of restructuring costs.

But Graham Staley, head of Bass in the Czech Republic, rejected speculation that the company would exit the country if it lost the case. "We could continue to focus on exports but we would probably not chase the domestic market so hard we'd look for our niche," he

Nomura now stands to make back many times its purchase price for IPB when it sells the breweries. Daniel Martinu, an analyst at Patria Finance in Prague, believes the merged group could be of most interest to Heineken Anheuser-Busch and South

ut Nomura insists its Briority is completing the merger.

"In all of Europe we see concentration," says Vladitor of Prazdroj. "When the Czech Republic joins Europe in a few years it will be necessary to be big and strong in the Czech market.' In the higher-margin

export business. Prazdroj will focus on selling Pilsner one of them takes a strategic Urquell, the original Pilsner, to western Europe and north able to capitalise on the America, It plans to use quality and tradition of

tic brand, to get around import quotas in east Currently Prazdroj uses link-ups with international brewers to sell Pilsner in Europe," says Mr Perina. Urquell in western Europe but analysts such as Mr Mar-



tinu argue that only when

licensed production of Gam-Czech brewing. Prazdroj believes last brinus, the top Czech domes-

month's decision is the first step towards an export revival and it has big plans for the future. "In 1913 Prazdroj was the biggest brewery "We want this position RETAILING DUTCH GROUP REVIEWS OPTIONS

Vendex might. seek buyer for: US toys chain

FAO Schwarz, the prestige US toys chain, may be put the Dutch retail group Vendex, is unhappy with the performance of the unit and wants to focus on

Vendex acquired the New York Fifth Avenue flagship and Schwarz's 40 other outlets as part of its takeover last year of KBB, a domestic

Jan-Michiel Hessels. Vendex chairman, said yesterday a disposal of FAO Schwarz was "not impossible" and that its future would be "studied in the context of the international strategy" of his

He said Vendex aimed to expand in the Benelux, Germany and France: "We don't want to go too far from

He described profitability at Schwarz as inadequate, saying this would first have to be improved. Although no decision had yet been made on its future, the chain is the only operation which Vendex will have outside

KBB, in announcing its results yesterday for the

specify profits at Schwarz but said these fell sharply. investments in expanding the chain, which totals 42 outlets. Its sales rose nearly

9 per cent to some \$197m. Pro-forma revenues for the merged Vendex KBB were F19.2bn (€4.17bn, \$4.5bn) in the latest year, up 6.7 pers cent. Operating income at Fl 443m was 8.3 per cent higher, but excluding gains from property the figure as Fl 414m was ahead 52 per

The group said it expected further growth this year. though both investments and the tax burden would

For Vendex itself, including a two-month contribution from KBB, net earnings were Fl 278m. The Fl 1.15bn recorded for the previous year included a gain on its' spin-off of Vedior, the busi-

Vendex has also since sold its supermarkets business, in a reshape which has made it the Netherlands' largest' non-food retailer.

KBB, which operates the Bijenkorf and Hema chains, achieved a turnround to net profits of Fl 98.4m, from losses of Fl 141.3m.

The merger is due for-mally to come into effect?

3i and IBJ to set up MBO arm in Japan

3i, the UK-based venture capital company, and Industrial Bank of Japan will today announce the creation of a joint venture aimed at developing management buy-outs (MBOs) in Japan.

The venture is the latest in a series by western groups to tap the MBO market at a time when many troubled Japanese corporations are looking to spin-off

Other groups known to be targeting the MBO market include Jaico and Nomura of Japan, Schroders of the UK and a joint venture between NM Rothschild and Mitsui, the Japanese trading com-

The venture, to be called 3i-Kogin Buyouts, will be 80 per cent owned by 31 and 40 per cent by IBJ. The two companies will initially invest Y10bn (\$83m), and are looking for a further Y10bn from institutional investors anxious to access the fledgling Japanese MBO market 3i has extensive operations in Europe and an office in

ket," said Chris Boulton, the president of the new ven-40,000 companies whose own-" er-managers are over 60, and 7 13,000 whose owner-manage. 2 ers are over 70. In addition the recession, deregulation. the weakening of the keiretsu [business groups], and increasing realisation by big." companies that they need to focus, are all combining to create a fertile market for

Junri Oda, an IBJ banker who will become managing of "Big Japanese companies are realising they must make better use of capital, must manage cash-flow more effectively and adopt global standards. That creates a huge opportunity for spin-

Japanese market with that been used to life-time employment, but that may be coming to an end. They may be willing to look at the higher risk-reward profile offered by MBOs." He said the market could be as large "There is huge latent as the UK's within 20 years.

Takeover boost for France Soir

France Soir, once the country's best selling daily newspaper but which has fallen on hard times, was given a new lease of life this week with its sale to Georges Ghosn, the controversial media entrepreneur.

Mr Ghosn, backed by investors who do not wish to make themselves known", is to inject FFr153m (€23.3m. \$25.3m) to revive the paper, which has been losing FFr10m a month under the ownership of Socpresse, which also publishes Le Figaro, the right-wing daily.

The sale, for a symbolic FFr1, was agreed last month but held back by trade union opposition. It was finalised this week after Socpresse agreed to offer job guarantees, stretching until after the sale, to France Soir staff. The former owner also ssumed more than FFr530m of France Soir's accumulated

Mr Ghosn has reappointed Yves Thréard as editor. Last year, France Soir

underwent the most ambitious of a series of relaunches under Mr Thréard, who slashed its price, switched to a tabloid tive was welcomed by readers, but failed to boost reve-

France Soir's circulation has declined uninterruptedly since 1961, when it sold an average 1.1m copies a day -and an all-time high of 2.2m on the day General De Gaulle died in 1970 - to 156,000 this year.

Mr Ghosn intends to raise the cover price from FFr3.90 to FFr5, increasing annual revenues by an estimated

Since the early-1990s, Mr Ghosn is credited with having revived the business dai-La Tribune. More recently, he is thought to have made a hefty profit from the sale of Le Nouvel Economiste, a bimonthly he had run for barely two years.

The sale of France Soir will allow the Hersant family, which controls Socse, to restructure Le Figaro, its flagship. Le Figaro is to be relaunched in Septemher, with "improvements, a new presentation and more modern illustrations", according to its publishers.

France Soir's mounting losses have consistently weighed on the group's development prospects, makformat and turned it into a ing Socpresse the subject of morning paper. The initia- recurring speculations of an

INTERNET

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To the firm that leading Internet companies turn to -Bear Stearns. That's because we place the highest priority on thoroughly learning our client's business and individual needs. We pull together our resources, including corporate finance, strategic and financial advice, sales & trading and research to deliver superior execution and distribution. And we're there after the IPO, building long-standing relationships through superior after-market service.

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\$86,250,000

Inlingco.com Initial Public Offering

March 1999

\$168,000,000 prodigy.

BEAR STEARNS

Initial Public Offering February 1999

\$57,375,000

Initial Public Offering February 1999

\$47,840,000 (\mathbf{M}) AREH BESTA .. POPPE TYPE Initial Public Offering February 1999



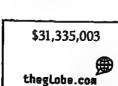
Initial Public Offering January 1999





 \otimes December 1998



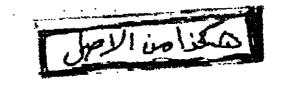


Initial Public Offering November 1998



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75 YEARS of CLIENT SERVICE, INNOVATION & PERFORMANCE.



Comp

SCP to

IBJ to

Japan

eover boost

might energy High Hopes as sale opens this year's privatisation season in Bhazil Comgas expected to fetch premium price this year of a \$25th pipe The buyer will have a 12 Connecting \$30 Paulo v Bolivian gasfields \$3,200

Pioneering British investors founded the San Paulo Gas Co in 1872 to light the dim streets of Brazil's coffee capital. This morning, an auctioneer will open sealed bids from a group of foreign bidders competing for Comgas. its state-owned successor,

foreign control. Analysts expect aggressive bidding for the São Paulo the market."

returning the company to

push the sale premium to about 20-30 per cent over the stake's minimum price of R\$896.4m (\$530.3m).

The Comgas sale opens this year's privatisation season in Brazil, which economists expect to raise about \$13bn-\$15bn in 1999. Júlio Lapa, Comgas president, said: "The privatisation pro-cess is beginning again. This auction will be a signal to

threaten Brazil's privatisations this year. But a sucpave the way for other big ticket privatisations in the state, such as Cesp, the state-owned power company, and Banespa, the state bank now under federal govern-

ment control. This could help the federal government push ahead are selling Comgås complete with large, complex privati- with all its assets, credits,

ary's devaluation and result- run into political and techni- The buyer will have a 12- connecting São Paulo with ing market turbulence could cal obstacles. These deals include the sale of a 30 per cent stake in Petrobras, the cessful transaction would national oil company, the generating assets of Eletrohras, the electricity holding company, and privatisation

of the fund management

business of Banco do Brasil, the country's biggest bank. Mauro Arce, São Paulo's energy secretary, said: "We

Analysts feared that Janu-sations of its own that have debts and infrastructure. this year of a \$25n pipeline

Bidders for Comgás are expected to include Agip of should enable the company's Italy, British Gas, Spain's new operator to boost Gas Natural, Enron, the US energy group, and Royal Dutch/Shell. These groups demand within 10 years from have substantial energy about 2.5 per cent in 1998. investments in Brazil. Shell São Paulo accounts for already owns 16 per cent of Comgás.

Comgás was a sleepy company for most of its recent history until the completion for power.

Bolivian gasfields 3,200kms to the west. The pipeline national gas consumption to 10 per cent of total energy

nearly all Brazil's gas sales. Private groups are building new gas-fired power stations to meet rising demand

NEWS DIGEST

COSMETICS

Avon predicts 50% rise in first-quarter profits

Avon Products, which sells cosmetics through a network of almost 3m women, has found a silver lining in the economic clouds hanging over Brazil. Its shares rose \$1 % to \$53 - twice the level at which they traded six months ago - on news yesterday that it expected a 50 per cent jump in first-quarter operating profits from Brazil.

Avon said Brazil's economic crisis had helped it recruit more women to sell its products. Avon's unit sales in Brazil rose by an estimated 30 per cent in the first three months of the year as it kept price rises below inflation.

It advised shareholders yesterday that group earnings for the first quarter would be between 27 cents and 29 cents - compared with Wall Street expectations of 24 cents and last year's figure of 20 cents before one-off charges. Andrew Edgecliffe-Johnson, New York

MANUFACTURING

AlliedSignal eyes purchases

Larry Bossidy, chairman of AlliedSignal, the diversified manufacturing company, said yesterday the group was "actively evaluating" potential acquisitions in areas such as speciality chemicals, electronic materials and aerospacerelated services. He added he was hopeful of finalising one or two deals by the end of the year - although, after the company's bitter and ultimately unsuccessful hostile \$10bn bid battle for AMP last year, he stressed any transaction would probably be on an agreed basis.

Mr Bossidy also reconfirmed the company was giving "serious consideration" to the much-mooted sales of essets within its automotive and transportation products division, although he continued to suggest any action was likely to take place in the latter half of 1999.

The chairman's comments came as the company reported a 12 per cent increase in after-tax profits to \$335m in the first quarter, with earnings per share rising 13 per cent, to 59 cents. Sales were down 1 per cent, at \$3.6bm, but this largely reflected disposals, with underlying revenues rising 4 per cent. Nikki Tait, Chicago

Copper

Phelps Dodge profits plunge

The lowest copper prices this century - when adjusted for inflation - caused Phelps Dodge, one of the biggest copper producers world-wide, to barely break even in the first three months of 1999. And the US company warned that, unless there were further production cuts by the industry, the depressed prices would probably continue for "severa more quarters".

Under the circumstances, the company described its \$500,000 profit (after tax but before the effect of accounting changes) as "satisfactory". This compared with a \$183.7m profit in the first quarter of 1998, and translated into earnings per share of 1 cent, against \$2.79 a year eariler. Included in the result was a \$6.9m currency exchange loss related to the devaluation of the Brazilian Real. although this was offset by an asset sale gain by a Philippine affiliate.

The result was better than the market had leared, its shares rose \$1% to \$51%. Nikki Tait

Merrill, **Paine** Webber hit highs

By Tracy Corrigan in New York

Big volumes of business and a strong underwriting performance helped both Merrill Lynch and Paine Webber Group achieve record earnings in the first quarter. boosting share prices across the securities industry sector yesterday.

Both Merrill and Paine Webber made an annualised return on equity of 34.6 per cent, slightly higher than a

In midday trading, Merrill's share price slid \$11 to 198% on profit-taking, still below its high last July of around \$108, but the stock has enjoyed a strong run since hitting a low below \$36 last Autumn.

Paine Webber shares rose \$31 to \$46%. Shares in Charles Schwab, another broker, 10se 12 per cent and those of Donaldson Luffein & Jenrette, which reports later in the week, surged 7 per cent, on expectations of strong earnings across the

Merrill reported net earnings of \$609m, up 18 per cent from the same period a year ago, and earnings per share of \$1.44, beating estimates of

\$1.23, according to First Call. Merrill's comeback after it suffered losses in fixed income in the second half of 1998 shows that "customer flow business can be profit able in fixed income", said Gry Moskowski, an analysi at Salomon Smith Barney.

He added that while Merrill's share price had suffered as a result of its fixed income losses during last year's market turmoil and other strategic issues, Merrill had demonstrated its "true earnings power" this

Merrill Lynch Japan Securities, which has required greater investment than expected since it was formed from the Yamaichi brokerage network more than a year ago, is performing in line with reduced expectations, with around 40,000 secounts and \$4bn in assets.

Paine Webber Group reported net income of \$160.6m or \$1.01 per share, also substantially above expectations. Donald Marron, chairman and chief executive officer, said its recurring fee income had reached an annualised \$1.05bn, beating the firm's billion dollar target for the

Net new client assets flowed into the firm at an average of \$155m per dev last year's first quarter. Paine Webber plans to begin online trading to existing and new accounts this

year.

Mexico set for wave of IPOs after long gap

By Henry Tricks in Mexico City

Mexico is expected to see this month a series of new equity issues, stalled since the Asian crisis of 1997, with an offering of up to \$240m by Grupo Sanborn's, the retail chain formed by Carlos Slim, the billionaire magnate. The initial public offering

would mark the first equity issue in Mexico since December 1997. Analysts say it would reinforce the view that the country's buoyant stock market - which briefly touched record highs yesterday - has overcome 18 months of global financial turmoil

"We are looking at a very attractive environment and I'm sure lots of companies will want to take advantage

said the head of an international research firm in ests, said the Sanborn's issue Mexico. Leading the pack is Grupo

Sanborn's, a retailer whose flagship restaurant chain includes a century-old venue in downtown Mexico City that is legendary. in 1914, the revolutionary forces of General Emiliano

Zapata, bearing bandoliers and sombreros, stopped there for coffee after taking the capital. Last month, another peasant militis, the aki-masked Zapatista rebels from south-eastern Chianas state, posed for photos there during a nationwide referendum on their struggle.

Javier Larraza of Grupo Carso, the parent company of Mr Slim's web of telecom-

services and industrial interwould raise \$200m-\$240m. which would go towards expansion of the restaurant chain outside Mexico City and paying down a \$400m debt.

floated at an estimated value of around \$1.5bn, which analysts said was a high level that would attract other issuers to market. It had sought to launch an IPO in 1997, but was put off by the Asian crists Other possible issues

include a package of airports in south-eastern Mexico that encompasses the popular tourist hub of Cancun. It is controlled by Copenhagen Airports of Denmark, and

analysts said it could make an attractive retailing and

The Mexican partner, however, is Grupo Tribasa, the construction company which

payment on a surobond. According to a spokesman

the Mexican stock exchange, there is also a "preliminary list" of 18 companies registered to launch last month missed a \$26m an avantual share offering.

Compaq upbeat despite earnings setback

Compaq Computer is jumping on the "e-business" bandwagon as the personal computer maker transforms itself into a broad-line information systems and services company following last year's acquisition of Digital

shares plunged 22 per cent following an unexpected new initiative for Compaq, leverage the internet regite-

Argentine industrial holding

company Sociedad Comer-

cial del Plata (SCP) was yes-

emerging markets and con-

sequent credit squeeze fac-

Fitch IBCA, the credit rat-

ing agency, immediately cut

its rating on \$400m of SCP

debt from BBB to CCC.

which implies the possibility

Several big Argentine com-

panies which borrowed heavily during 1997 and 1998

for aggressive expansion pro-

grammes have faced mount-

ing difficulties in refinancing

their debts, combined with

lower sales due to the sharp

\$780m and a net worth of

\$435m, has been rapidly sell-

ing off assets to reduce debt.

ests in energy petrochemi-

cals and the entertainment sector, has been hard hit by

the fall in oil prices. Its

entertainment arm has also

The company, with inter-

domestic downturn. SCP, which at the end of

ing local corporations.

of non-payment

SCP to delay

bond repayment

terday forced to delay a rowing has become very dif-\$25m bond repayment, blam- ficult with the current state ing the financial crisis in of the merkets, but this is

last year registered debts of study by private think-tank

insisted that the first-quarter largest competitors - Interearnings setback would have mutional Business Machines no impact on the company's

Compag will combine the resources of Digital, which include high-power servers. software and services, with its own products and tech-Just a day after Compaq's . by 2000, Mr Pfeiffer said. Although this represents a

nologies to become the leader in internet computing

failed to provide cash flow as

"This is a purely transi-tory problem of liquidity,"

said SCP yesterday. "Bor-

ficult with the current state

still a company with signifi-

cant assets and the opportu-

SCP shares were down

SCP has contracted Mer-

more than 12 per cent at

\$0.375 in afternoon trading.

chant Bankers Asociados.

said SCP president Santiago

Soldati, to act as financial

adviser to resolve the repay-

ment problems, which it

hopes to do by the end of

short-term borrowings through bond issuance rose

231 per cent last year to

\$3.6bn, according to a recent

Fundación Capital, However,

in the first quarter of this

year, borrowers have faced a

severe credit shortage,

higher interest rates, and a

"crowding-out" by the public sector as the state has

sought to cover its financing

Argentine companies' total

nity of going forward."

and Hewlett-Packard - both of which have established themselves as leading suppliers to businesses creating internet-based business

However, Mr Pfeiffer said the e-business initiative was "central to Compaq's goal to be the internet computing leader". The ability fully to

Cisco buys

GeoTel in

\$2bn deal

Cisco Systems, the computer networking company, is buy-

ing GeoTel Communications.

the maker of call-centre soft-

The deal is part of a trend

among makers of communi-

cations equipment to move

into the communications

It is Cisco's first move into

the \$3bn market for call-cen-

tre software but follows the

acquisition of a number of

companies with expertise in

software applications for

communications networks

including Precept, Colsius

Cisco and its leading com-

petitors, Lucent Technolo-

gies and Nortel Networks,

have all targeted the market

for software to manage uni-

fled networks which can

handle voice and internet

GeoTel profits nearly tri-

pled last year to \$9m on rev-

enues of \$44m. Shares in

GeoTel jumped 26 per cent yesterday to \$55% while Cisco stock dropped 2 per

ware, for \$2bn in stock.

software business.

and Summa Four.

communications.

cent to \$115%.

operations

important challenges for information technology and business in general, he said. Compag's shares were tracing at \$241 in mid-see-

sion yesterday, unchanged Monday's close, followîrom ing Mr Pfeiffer's presenta-Several Wall Street ana-

day, that its first-quarter revenues for HP and others.

profit warning, Mr Pfeiffer the company is trailing its sented one of the most problems reflected an "industry-wide" price war and softening demand in the US business PC market. in a direct response to

Compaq's statement, HP said its personal computer sales were "healthy, growing and profitable". Lew Platt, chairman and chief executive, said the PC business lysts and other computer would remain healthy for industry executives rejected several years, generating Compan's assertion, on Mon- tens of billions of dollars in



North West Water Finance PLC

EURO 500,000,000

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Joint Lead Managers

Co-Lead Managers

Co-Managers

Tokyo-Mitsubishi International plc

Polly Peck International (Finance) N.V.

established at Curação (Netherlands Antilles)

Notice of General Meeting of Shareholders

To be held on Wednesday, April 28, 1999 at 10.00 a.m. (Curação time) at Landhuis Joonchi, Kaya. Richard J. Beaujon z/n, Curação, Netherlands Antilles. Subject of the meeting will be amongst others the approval of the Annual Accounts of Polly Peck International (Finance) N.V. (the "Company") over the financial years 1996 and 1997.

Notice of Meeting of holders of

71/4% Guaranteed Redeemable Convertible Preference Shares 1994/2005

To be held on Wednesday, April 28, 1999 at 10.00 a.m. (Curação time) at Landhuis Joonchi, Kaya Richard J. Beaujon z/n, Curação, Netherlands Antiles. Subject of the meeting will be amongst others the approval of a resolution of the Board of Managing Directors of the Company to make a others the approval of a resolution of the Board of Managing Directors of the Company to make a distribution to the preference shareholders and the delegation to the Committee of Preference distribution to the preference shareholders and the Articles of Association of the Company for a

Copies of the agenda, Armual Accounts of the Company over the financial years 1996 and 1997 and other documents relevant to each meeting are available and copies thereof may be obtained by other documents relevant to each meeting are available and copies thereof may be obtained by other documents relevant to each meeting at the office of the Company at shareholders of the Company at Landhuis Joonchi, Kaya Richard J. Baaujon zin, Curação, upon satisfactory proof of (preference) Landhuis Joonchi, Kaya Richard J. Baaujon zin, Curação, upon satisfactory proof of (preference) shareholdership. Copies of the agenda of each meeting will also be mailed to holders whose shareholdership. Copies of the agenda of each meeting will also be mailed to holders whose shareholdership.

Preference shareholders who wish to attend and, to the extent entitled thereto, to vote at the Preference shareholders who wish to attend and, to the extent entitled thereto, to vote at the Preference shareholders who wish the Principal Paying Agent, Chase Manhattan Bank at Tringly theeting must deposit their shares with the Principal Paying Agent, Chase Manhattan Bank at Tringly theeting must deposit their shares with the Principal Paying Agent, Chase Manhattan Bank at Tringly theeting must deposit their shares with the Principal Paying Agent, Chase Manhattan Bank at Tringly theeting must deposit their shares with the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the Principal Paying Agent, Chase Manhattan Bank at Tringly the or Cedel, prior to Wednesday, April 21, 1999.

Sy: The Board of Managing Directors of Polly Peck International (Finance) N.V.

Curação, April 14, 1999



Hoating rate notes

provisions of the notes, notice is hereby given that for the six continuing accordance to the latest period from 1 April 1999 to 14 October 1999

ber US\$10.000 note and US\$6,671.88 per US\$250,000

14 April 1999 CITIBANC



US\$650,000,000

n accordance with the

the notes will carry an interest rate of 5.25% per annum. interest payable on 14 October 1999 will amount to US\$266.88

Global Agency and Trust Services Clobank, N.A., London

ABN-AMRO

Banque Nationale de Paris S.A.

Credit Suisse First Boston

Dresdner Kleinwort Benson

ING Barings/BBL

HypoVereinsbank

ABN AMRO

J.P. Morgan

J.P. Morgan Securities Ltd.

Barclays Capital

Deutsche Bank

Warburg Dillon Read

Greenwich NatWest

Salomon Smith Barney

New rule threatens C&W stake in IDC

Cable and Wireless, the UK telecommunications group fighting a battle over IDC, could lose its 17.7 per cent stake in the Japanese interdue to a "squeeze-out" provitakes effect later this

C&W is competing with such as NTT. NTT, Japan's dominant domestic carrier, to take control of IDC, in which C&W

he injection of Y7,450bn (\$62bn) of public funds into 15 of Japan's lead-

ing banks last month seemed

to signal that the first stage

of the country's banking cri-

But the failure of Koku-

min Bank, a second-tier

regional bank, earlier this

week could be a sign that

The day after Kokumin

the second stage has begun.

was put under the control of

government-appointed

administrators with a capital

deficit of Y71.2bn, Kofuku

Bank, a second-tier regional

bank based in Osaka, admit-

ted that its capital adequacy

ratio had fallen below 4 per

cent - the minimum

required by the Financial

Supervisory Agency, the

And yesterday, two of

Kokumin's non-bank finan-

cial affiliates filed for bank-

ruptcy with total debts of

Y25bn. Kokugin Lease and

Kokugin Mortgage Service

decided they would be

banking regulator.

To the

shareholders

following business:

The Annual General Meeting

of the Company will be held on

shares of the Company

10 per cent of own shares

Election of Board members

annual general meeting

Tuesday 27 April 1999 at 3.30 p.m.

at the Falkoner Centret, Falkoner Allé 9.

DK-2000 Frederiksberg, to transact the

Report on the Company's activities

Management from their obligations

Presentation of the annual accounts for approval and

discharge of the Board of Directors and the Executive

year, including the declaration of a dividend on the

d) Board resolution to amend Article 8 (1), 1* sentence of

the Articles of Association (place of general meetings)

Board resolution to authorise the Board of Directors to

transfer DKK 60,176,236 from the Company's share

Appointment of 2 auditors for the period until the next

premium fund to free reserves (other reserves)

f) Resolution that the Board be entitled to acquire up to

According to Article 16 of the Articles of Association, the

resolution proposed under item d) on the agenda can be

passed only insofar as at least one fourth of the share capital

is represented at the Annual General Meeting and insofar as

the resolution is carried by at least two thirds both of the

votes cast and of the voting share capital represented at the

In the event that the required amount of the share capital is

not represented, but where the resolution is carried by the

qualified majority of votes specified above, another general

meeting shall be convened within the subsequent fourteen

days, at which meeting the resolution will be passed by the

complete resolutions to be proposed at the Annual General

Meeting, as well as the Annual Accounts and consolidated ac-

counts, including the Auditors' Report and the Report of the

Directors, will be available for inspection by the shareholders at the Company's registered office, Kongens Nytorv 26, third

floor, 1016 Copenhagen K, Denmark, and at the Company's

offices in Great Britain, Great Nordic House, 204 Godstone

London EC 2W 6DA. Not later than eight days prior to the

to every shareholder on the Company's register of members at such addresses as the shareholders have supplied to the

Admission cards to the Annual General Meeting will, until

five days prior to the Meeting, be available on request from

the Company's office from Monday to Friday between the

hours of 10 a.m. and 4 p.m. to any shareholder who can

Company shares, dated 16 April 1999 and issued by the

shareholder's account-holding bank.

convening the Annual General Meeting.

Copenhagen, 12 April 1999

The Board of Directors

prove a good title to his shares. The ownership of shares is-

sued to bearer shall be proved by the presentation of an origi-nal statement of account of the shareholder's holding of

Any right to vote shall be conditional upon the voting share

being registered in the name of the shareholder and entered

in the Company's register of members and upon the share-

holder being entitled to attend the meeting pursuant to the above-mentioned provisions. Where the shareholder has ac-

quired shares by way of transfer, the share shall furthermore

have been registered in the name of the shareholder by the

date when the Annual General Meeting is convened, or the

shareholder shall have submitted notification and documen-

tary proof of his title to such shares at the time of the notice

Annual General Meeting, the above material will also be sent

Road, Caterham, Surrey and at Unibank, 107 Cheapside,

of the voting share capital represented at the meeting. From Thursday 15 April 1999 the agenda and the full and

qualified majority specified above, irrespective of the amount

The UK group has said it has is believed to be worth "squeeze out" minority no intention of relinquishing its stake in IDC, which it has held for nearly 2 decades.

Under a basic agreement signed by the founding and Itochu, the trading comoffer by a non-shareholder,

C&W has indicated it could raise its offer, of of IDC. Y62.4bm (\$519m) in cash, to was a founding shareholder. match that of NTTs, which majority shareholders to squeeze-out.

Second stage could be starting, writes Naoko Nakamae

research company.

regional banks.

ailing companies.

unable to continue doing bilitation [of the sec-

business without the support tor]...had of their de facto parent com-accomplished".

pany, Kokumin, according to

Teikoku Databank, a credit

Such failures underscore

fears that other regional

banks and their affiliates

could suffer a similar fate, as

the FSA shifts the focus of

its attention from the lead-

ing city banks to the

cluding an investigation into

the financial health of the

Revelations from its initial

inspection of the country's

city banks last year led to

the nationalisation of Nip-

pon Credit Bank and

Long-Term Credit Bank, two

And although the shares

of the leading banks have

shot up since the capital

injection, analysts believe

their problems are not over

Even Hakuo Yanagisawa,

the financial reform minis-

ter, admitted last month that

he "did not think that reha-

CN Great Nordic Ltd.

country's regional banks.

The FSA is currently con-

NTT, meanwhile, has indicated it has no intention of raising its offer.

Furthermore. NTT to acquire IDC. Under allows it to match any other of the former public utility. NTT's international and long-distance arm would have to acquire 100 per cent

For example, problems in

will add to the difficulties

city banks are experiencing

in their attempt to sell off

their bad loans, as property

be bit by further oversupply,

as the authorities pressurise

the regional banks into

cleaning up their books and

disposing of their bad loans

But other analysts say the

problems in the regional

banking sector will also pro-

vide a strategic opportunity

for some of the leading

The real impact will be

on the strategy side," says

James Fiorillo, banking analyst at ING Baring Securities

in Tokyo. "The question will

be, which ones will decide to

become the retail banking

specialists and take a

hands-on approach to the

consolidation that is taking

Meanwhile, more regional

occur as the industry

SmarTone, Hong Kong's

third biggest mobile phone

operator, yesterday signed a

pact with Yahool, the US-

based internet portal com-

pany, to help expand its

SmarTone, which last week raised HK\$3.02bn

(US\$389.7m) through the sale

of a 20 per cent stake to Brit-

ish Telecom, is a late entrant

into Hong Kong's competi-

tive internet market. Its ser-

vice, to be launched this

month, will compete with

around 130 internet service

providers, three of which

command a 70 per cent mar-

Analysts said the alliance,

under which Yahoo!'s Hong

Kong operations will provide

content for SmarTone's

internet web site and

develop further promotional

programmes, would enhance

the US company's global

standing, especially in

greater China. Yahoo! will

provide information directo-

ies for users of SmarTone's

Yahoo! took an early lead

internet activities.

bank failures are likely to Japan.

banks.

And the market is likely to

prices collapse in Japan.

Japanese banking crisis refuses to go away

forced to relinquish its stake

The provision requires the national telecoms carrier Toyota, the car company, stake makes it difficult for both the acquired company and the acquiring company. sion being added to Japan's pany, the UK company has a new rules that come into Since Japan's finance minisnew commercial code that right of first refusal which effect with the restructuring try will still own more than 66 per cent of the NTT holding company, the Japanese government will play a large part in preventing C&W from maintaining its stake But a provision allowing in IDC, if it agrees to the

Japanesa Regional Banks such

industry insiders. Some

warn that while there are

currently more than 120

regional banks, the process

the number down to 47 - the

number of prefectures in

Yahoo! signs internet

pact with SmarTone

becomes polarised, say the government needs to Tokyo.

TECHNOLOGY HONG KONG DEAL OPENS WAY TO CHINA

Other analysts say that

first- and second-tier [before the problem loans get

of realignment could bring might need to pump as much

shareholders could mean the new NTT holding com- basic agreement and sell C&W will eventually be pany, which will own 100 per their stakes to it, it can take cent of the three operating control of IDC without companies into which NTT is being restructured, could shareholders, including intention to hold on to its agreement of two-thirds of buy into IDC, rather than NTT's international and

> long-distance arm. The NTT holding company is not required to acquire 100 per cent of a subsidiary, removing the need for NTT to convince C&W to sell its stake in order to acquire 100 per cent of IDC.

As long as NTT can convince IDC's other major

inject public funds into the

regional banking sector. "It

needs to do this quickly,

any bigger]. I reckon they

as Y3,000bn into these

banks," says Katsuhito Sasa-

jima, banking analyst at

Warburg Dillon Read in

mated 500,000 mobile phone

subscribers. Other Hong

Kong telecoms companies

are already offering bundled

internet and telecoms ser-

vices, offering low-cost inter-

net connections to keep

attract new ones. Hong Kong

already has an estimated

700,000 internet subscribers.

officer of SmarTone, said the

service would initially be

launched to existing sub-

scribers to provide greater

value to its mobile network.

"iSmart is our latest product

to serve the growing demand

FK\$25.10 on the deal, while

other telecom and internet

Wharf, a conglomerate that

recently unveiled its internet

plans, has also seen its share

However, the valuations

price gain in recent weeks.

Storey has calculated that

the market capitalisation of

Wall Street's five biggest

helieved to have the third our customers," he said.

kong Telecom, which has related stocks also rallied.

Tone pact could be a step- fall far short of US levels: Mr

For SmarTone, the inter- internet stocks almost

most popular internet site in

China. The most frequently

visited Chinese language

more than half of the Hong

Tim Storey, telecoms ana-

lyst at Goldman Sacha in

Hong Kong, said the Smar-

ping stone in Yahoo!'s plans

to expand its Chinese lan-

among internet companies net service will provide a matched that of the entire

in developing Chinese lan-further incentive for its esti- Hong Kong stock market.

Kong market.

website belongs to Hong-

Hubert Ng, chief executive

It has also emerged that shareholders to ignore the

C&W's approval. NTT is expected to pay for any IDC shares it acquires through a share swap, according to sources close to the company.

It is not certain that IDC's other shareholders will agree to honour the basic

Japanese sources have indicated that members of the IDC management prefer

software exports

By Krishna Goka in Bombay

Satyam Computer Services one of the stars of India's booming software services industry, has announced an 86 per cent jump in net profits for the year to March 31.

Revenues doubled from inga Raju, chahman.

But he warned that the growth rate would slow as the company grew in size. "Four or five years ago we were growing at more than 200 per cent," he said. "We expect to be able to grow significantly in the future, but it will be less in terms of percentages. We would be more than happy to achieve

Operating expenses increased from Rsl.lbn to Rs2.3bn on higher staff costs and a sharp rise in market

Mr Raju confirmed that Satyam's 81 per cent owned subsidiary Satyam Infoway, one of India's new private sector internet service providers; is considering an issue of American Depositary Receipts to help fund its expansion plans. The company has received approval from India's Foreign Invest-

ment Promotion Board.

Mr Raju expects the

Satyam's results were in line with analysts' expectations, but the shares - which have fallen heavily in recent days after a month of fevered buying - dropped Rs37.5 to close at Rs1336. Other software stocks also

Satyam soars on

to Rs728m (\$17m).

Rs1.9bn to Rs3.8bn. All except Rs15m came from software exports, mainly to the US. "We have exceeded our expectations at the start of the year," said B. Ramal

60 per cent plus growth."

Satyam's other three specialist subsidiaries, Satyam Enterprise Solutions, an enterprise resource planning existing customers and (ERP) provider. Satvam Renaissance Consulting, a process consulting firm, and Satvam Spark Solutions, a product development company, will be merged into the parent with effect from the start of this financial

merged entity to record revenues of Rs6.5bn this year, up guage content and is for internet services from from Rs4.2bn combined revenues last year. "Our empha-SmarTone's share price | sis is very clearly shifting vesterday rose 3.5 per cent to from projects to progressively being a one stop solutions provider to companies all over the world," said Mr Raju. "We expect product revenues to begin to make significant contributions."

NEWS DIGEST

KOREA

S&P cuts credit rating for debt-hit Daewoo Corp

Barclays to

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afibn fund

Standard & Poor's, the US rating agency, yesterday cut the corporate credit rating of Daewoo Corporation, the mother company of South Korea's second largest conglomerate, to B- from B. The lower rating means Daewoo will have to pay more in

oversess borrowing as it struggles to service its debt, which S&P estimated more than doubled to \$18bn last year from \$8bn in 1997. S&P said the lower rating reflected the fact that "Daewoo faces heightened financial risks from its swelling debt burden". It warned the "rating could be lowered if the Daewoo group cannot come up with a clear strategy for turning or shedding its underperforming units, dealing with debt maturities throughout the group, and reducing borrowings to a manageable level.

Daewoo borrowed heavily in the domestic bond market last year as its cash flow weakened due to Korea's finan-cial crisis and poor economic conditions in other emerging

markets where it is concentrating its overseas operations. Despite its financial problems, Daewoo had "increased its exposure to the competitive and challenging auto business", including its acquisition of Ssangyong Motors and proposed takeover of Samsung Motors, the agency said.

John Burton, Secul

AVIATION

PAL revival plan gains time

Philippine Airlines, the stricken national flag carrier, looks set to gain a little more time to seek support for its revival plan from creditors and potential investors. The Securities and Exchange Commission, the market regulator, indicated yesterday it would extend an April 15 deadline for its ruling on the plan to the end of the month or the first week in May. The move came as other creditors, including Bosing. and the International Air Transport Association, the Industry's umbreits body, rejected the revival plan which calls for a restructuring of PAL's \$2bn debt burden and the infusion of \$200m of new capital.

Further muddying the outlook for the revival plan are tensions between Lucio Tan, the Filipino-Chinese tycoon who is the majority shareholder in PAL, and the airline's new management recruited from Cathay Pacific, the Hong

Perfecto Yasay, the SEC chairman, said yesterday the extansion would allow PAL receivers more time to seek the capital injection. Under the revival plan, PAL must receive the \$200m capital injection by June 4. Government officials say Mr Tan has agreed to provide the money if no other investor can be found.

Mr Yasay also said the SEC would talk with creditors opposing the revival plan later this week. These include Boeing, which rejected the plan over a dispute over PAL's refusal to recognise its claims worth \$127m related to a 1996 order for seven Boeing 747-400s as part of an over-ambitious fleet expansion programme. PAL says it had cancelled the order. Tony Tassell, Manila

JAPAN

Fujisawa sets high targets

Fujisawa yesterday unveiled a seven-year plan almed at allowing the Japanese drugs group to compete globally in selected therapeutic areas. The company, which recently announced Dr Hatsuo Aoki would become chief executive in June, set a goal of net income of Y40bn (\$333m) on sales of Y400bn by 2005. In the year to March 31 the company expects net profits of Y18bn, compared with a loss of Y36.8bn, on sales of Y201bn, down 6.5 per cent.

By 2005, revenues would be split equally between domestic and international operations, the group said. In the year to March 1998, overseas sales accounted for 30 on equity of 10 per cent. It said it would invest Y350bn over the next seven years on research and development. equivalent to about 16 per cent of sales. That compared with 14.7 per cent invested in the 12 months to March 1998. Paul Abrahama, Tokyo

Kumagai Gumi profits warning

Kumagai Gumi, the Japanese contractor, yesterday issued a profits warning, underscoring the severe conditions in the domestic construction sector. The company blamed the drop in estimated earnings on a fall in private sector capital spending in the second half of the year.

Kumagei Gumi cut its estimate of non-consolidated pretax profits before exceptionals from Y8bn to Y7.4bn (\$62m) for the year ending March 31, 1999. The company also revised down net profit forecast at the parent level from Y2bn to Y1.5bn, against a loss of Y217bn last year. Meanwhile, Kumagai Gumi raised its sales forecast at the parent level from Y890ion to Y897ion against 1,010ion last year. The company said it would skipthe dividend payment for the year to March. Shares in the group closed up 7.5 per cent or Y9 to Y129. Alexandre Nusbaum, Tokyo

Correction

The Financial Times April 1 article "Mitsubishi Electric launches shake-up" incorrectly stated that Mitsubishi Electric closed its German semiconductor plant. In fact, the company closed only one part of the facility's operations.

Itochu warns of loss and steps up revamp

leading trading companies, tokkin and trust fund invest-yesterday warned that it ments, Y23bn due to losses would post a net loss in the year to March and unveiled loan loss-reserves for over- noted that Itochu's 1997 plans to step up its restructuring efforts by further disposal of non-performing reserves are related to loans assets, reducing interest- and receivables in Indonesia. bearing debt.

Itochu said it would pass its dividend for the first time in 46 years and step up asset disposals to ensure higher cent and a return on equity profitability. It expects to report a con-

solidated net loss of Y34bn (\$283m) rather than a net income of Y2bn as previously forecast due to extraordinary losses related to the poor performances of vice president. domestic and south-east Asian substillaries

Group sales are forecast to fall 8 per cent to Y13,300bn to dispose of underperformrather than YI4,500bn as pre-The company will suffer

lier plan announced in 1997 affiliate. to March 2001.

in the year to March 2001, a

of 10 per cent by that time.

through every business and

decide to get out or get rid of

(those which are not per-

said Jay W. Chai, executive

"We are going to go

By Michigo Makamato in Tokyo due to the disposal of poorly this February from Baa2 to performing assets, including Ba1 due to the continued real estate inventory, special deterioration in Itochu's operating and financing on securities and Y18bn on In particular, Moody's

> restructuring plan did not go The majority of its far enough in addressing the group's non- and low-performing assets funded by The company aims to post high interest-bearing debts. a group net profit of Y40bn Itochu's new restructuring

ulan aims to reduce interestbearing debt from Y5.250hm at the end of last March to Y3,900bn in the year to March 2001. Group assets Y7.530hn to Y6.200bn

 Another trading company, forming sufficiently welll." Mitsubishi, said it would post Y10.92bn in appraisal losses on its stockholdings The latest restructuring and a Y6.5bn loss on the sale programme follows an ear- of its shares in a Canadian

However, the losses will ing assets and achieve net not alter its forecast group income of Y20bn in the year net profits of Y34bn for the year to March, compared iotal extraordinary losses of - It comes on the heels of a - with \(\)55.550n in net profits Y106bn of which Y51bn is downgrading by Moody's in the previous year.

9

U\$\$250,000,000 Subordinated collared floats rate notes due 2003 Notice is hereby given that for

to 14 October 1999 the notes will carry as interest rasp of 5% per turn. Interest payable on 14 October 1999 will amount to US\$127.08 per US\$5,000 note and US\$2,541.67 per US\$100.000

Glotal Agency and Trust Services Ottbank, N.A., London 14 April 1999 CITIBANCO

Your Legal Notices Please contact; Melanie Miles on

Tel: +44 0171 873 3349 Fax: +44 0171 873 3064

Notice of Redenomination to Bondholders of BANQUE NATIONALE DE PARIS

FRF 1,250,000,000 Subordinated Perpetual Eurofungible Fixed to Floating Rate Notes ISIN: FR0000109563 issued under the programme for the issuance of debt

Banque Nationale de Paris has decided to redenominate the above Notes in accordance with Condition 16 Redenomination specified in the arms: A to the Pricing Supplement dated May 20, 1997. May 21, 1999.

Redenomination Method Clients position will be redenominated in book - entry form.

Redenomination Basis The nominal FRF amount for each Note shall be converted into euros by using the Fixed Conversion Rate and rounding the figure to the nearest cent, with 0.005 cure being rounded upwards.

Cash Compensation There will be no cash compensation.

There will be no physical exchange of securities.

Reconventioning

With effect from the Redenomination Date, the day-count fraction referred to in paragraph 30 of the Pricing Supplement will cease to be ACT/360, and shall be on the basis of the actual number of days elapsed divided by

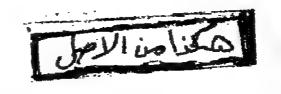
the actual number of days in the period from and including the insmediately preceding interest payment date to but excluding the next scheduled interest payment date (Actual/Actual). Any reference to business days in the pricing supplement shall be deemed to refer to a day on which the Trans-European Automated Real-time Gross

settlement Express Transfer system («Target») is open. ISIN Code The ISIN Code of the redenominated Notes shall be PR0000583536.

Dated April 14, 1999 Banque Nationale de Paris (Luxembourg) S.A. As Redenomination Agent







BANKS MICHAEL O'NEILL WILL NOT TAKE ON THE ROLE AFTER HEART PROBLEM DIAGNOSED

Barclays to search again for a chief executive

George Graham

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iewoo Corp

Barclays was forced to seek a new chief executive yesterday for the second time in less than five months. The US banker Michael O'Neill

Until a successor is found,

as acting chief executive, a shares he bought in Febru- again at its original shortlist however, that the search for was only judged to be suffitin Taylor left abruptly in

Mr O'Neill, a former Bank Barclays received at least within the bank of America executive, was to four approaches from potenhave received £1.7m (\$2.7m) US banker Michael O'Neill in salary and guaranteed bonus in his first year, but now he will get no compensation. The salary and guaranteed bonus in his first year, but now he will get no compensation. nosed with an arrhythmic sation, Barclays said.

Still, after yesterday's 46p rise in the share price to Sir Peter Middleton, chair \$19.19, Mr O'Neill is showing man-designate, will continue a £788,000 profit on the

role he assumed when Mar- ary with £5m of his own of candidates, two from out- a new finance director had clently serious after he sufmoney.

> tial suitors, some of which winnowing has been done, postpone his retirement. anything, less receptive than left a "big hole in the sys-before. "I don't think we feel ten". Sir Peter said, "it's difwe need a merger to fill the

chief executive post." The bank would look

side the UK and three from been frozen again, just when fered a black-out last week. In the last interregnum, the UK, including some it had been narrowed to two

> ferent now. The bank is visibly doing well."

The sudden change meant, executives. But the condition

or three candidates. Oliver

Barclays said Mr O'Neill, 52, had been diagnosed with a "slightly irregular heartmonth, well after taking the bank's customary medical examination for prospective

.By Peggy Hollinger

Tesco, the UK's largest

supermarket group, yester-day reported stronger than

expected trading, intensify-

ing fears of further grim

news this week from the

food sector's number two

Tesco said same store

sales in the UK last year -

which averaged 4 per cent,

or 2.5 per cent excluding

inflation - had accelerated

The group was announc-

ing a 7.8 per cent increase in

pre-tax profits before excep-

tionals to £881m (\$1.42bn), on

total sales up 6.3 per cent to

£18.5bn for the year to Feb-

Analysis estimated Tesco

had achieved like-for-like

sales of almost 5 per cent in

January and February,

against an industry showing

ruary 27.

strongly after Christmas.

player. J Sainsbury.

expectations

with strong rise

After Mr O'Neill's US doc-tors advised him against "A large amount of basic Stocken has again agreed to moving from San Francisco to take the job, he was examined again on Monday in doctor who previously exambeat" following flu last ined him for Barclays. He also concluded Mr O'Neill "shouldn't take the job and we shouldn't offer it to him",

Terry Leahy, Tesco chief executive, hinted that

although consumer spending

was beginning to improve

stability in the food sector

could be threatened by ini-

tiatives from weaker players.

"There is a lot of stress and

strain within the industry

with some looking to

On the UK Competition Commission's investigation

into food retailing, Mr Leahy

said he was confident it

would "confirm that we are

Meanwhile Tesco, also

announced plans to take its

trial home shopping service

national. It planned to

increase the number of

stores delivering groceries to

internet customers from 11

to more than 100 by the year

Tesco also said it would

increase investment in inter-

national expansion this year.

Group capital expenditure

would rise from £1.07bn to

about £1.8bn, to fund devel-

opment in Europe and Asia.

almost 25 per cent to £1.3hm

with operating profits of

Overseas sales rose by

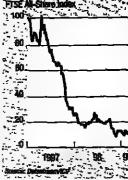
recover," he said.

highly competitive".

COMMENT

How cosy. A generator gets the all-clear for an acquisithe all-clear for an acquisi-tion, despite reservations Share pice make in the from the regulator. Scarcely a week later, said generator 100 - National Power in this case

signs a big coal deal with RJB Mining, protecting miners' jobs. Yesterday's deal, for up to 46m tonnes over five years, is a breathing space for RJB, but only a small one. An unkown chunk of that coal is in effect under option. If the government lifts its moratorium on gasfired plants quickly, fossil fuel generators will want less coal. And the contracts lined



up with the generators will not ease RJB's medium-term plight. Its market is declining. The generators took 40m tonnes of coal in 1998-99, of which RJB supplied 23m. By 2001-2002, one generator reckons that 40m will drop to about 22m. Even if imports are squeezed, RJB Will still have too much canacity.

Tesco

The Tesco juggernaut rolls on imperturbably. If anything, the tricky UK market is highlighting the retailer's strengths. Tesco is piling pressure on the opposition. Like-for-like sales rose by 4 per cent last year, well above the 1.5 per cent sector average. As a result, Tesco pushed its share of the market to 15.8 per cent, stretching its lead over struggling rival J Sainsbury.

No-one could accuse Tesco of resting on its laurels. It is moving fast into the internet and home shopping, and increasing its non-food side. The latter move is already paying off non-food is one of the healthier bits of the supermarket business right now. The internet will take longer, but Tesco Net is winning new customers nicely. Best of all for investors, Tesco is leading the pack.

Nonetheless, there are clouds on the horizon. The biggest

is the Competition Commission's enquiry into supermarket retailing. Although Tesco says this is not a worry, the fallout is potentially unpleasant. One fear is that the com-mission might hold Tesco back by restraining it from developing stores in districts where it is already represented. A poorer UK performance could make shareholders less enthustastic about the costs of its overseas expansion - vital for the long-term growth story. The group's foreign investment is likely to dilute earnings by 10 per cent this year. Share-holders might baulk at this if the UK core started to misfire.

CSG bidders seek to withdraw

By Caroline Daniel and Clay Nurtis

Michael Services Group, after boardroom changes at the trou- meeting. bled recruitment company,

Carlisle Holdings and BHI Corporation said yesterday that the Takeover Panel was considering their request. son's claim that investors with more than 50 per cent of the shares supported the election of new CSG direc-

The Ashcroft companies made their announcement late yesterday after CSG bowed to pressure from institutional investors and

called a shareholders' meet ing in about two weeks.

CSG said one director had Asheroft's stepped down immediately, companies are trying to following the departure last withdraw their proposed week of Jeffrey Fowler, exectakeover bid for Corporate utive chairman, and that two more would go at the

A condition of Mr Ashwhich is valued at 2209m croft's proposed offer on that there be no changes to the CSG board.

Since then, Mr Fowler has resigned and the leading They also cast doubt on shareholders in CSG have Dresdner Kleinwort Ben- claimed that they have majority support for the directors and their replace ment with a new team at an emergency meeting.

Citing these changes, Mr advisers Ashcroît's approached the Takeover Panel in hopes of lapsing the bid on Monday.

CONTRACTS & TENDERS

REPUBLIC OF CAPE VERDE

Announcement of Privatisation By International Public Tender of State Owned Financial Sector Institutions

The Unidade de Coordenação do Projecto de Privatização e Regulação Institucional (privatization Unit) of the Republic of Cape Verde, in accordance with the Law on Privatization of the Republic of Cape Verde, Decree Law 70/98 and Resolution 74/98 of 31st December, 1998,

announces the sale, by international public tender, of state owned shares in three (3) financial sectors institutions with interlocking shareholdings, according to the following criteria and terms: (i) as a financial group, or (ii) as three separate individual institutions, and/or (iii) any

combination thereof.

Commercial Bank	175.000	525.000	52.50
Insurance Company	96,620	91.789	45.895*
Venture Capital Company	255.000	180.000	40.00*
	Insurance Company	Insurance Company 96.620	Insurance Company 96.620 91.789

The bid package containing the Confidential Information Memoranda and other pertinent bid documents may be acquired at a cost of Euro 20.000 Euros from the privatisation Unit (UPR) at Largo do Cruzeiro - Ténis, CP No 323, Praia, Cabo Verde, telephone (238) 61 23 19, Fax (238) 61 23 34, email: cvprivatization@mail.cvtelecom.cv.

Any requests of information, questions or clarification regarding the bidding process may be addressed to the Bid Committee at the Privatisation Unit, at the above indicated address.

The bid proposals must be submitted by 16H00, local time on Friday, July 9, 1999, at the office of the Privatisation Unit, Largo do Cruzeiro -Ténis, Praia Cabo Verde, in wax sealed envelopes according to the instructions contained in the Resolution nº 74/98 of December 31, 1998, published in the official gazette n°48, Serie I.

The bid proposals opening session will take place at 10H00, local time on Monday 12th July, 1999 in the Ministry of Finance, Praia, Cabo Verde.

RJB deal with National Power Tesco ahead of

Contract secures market for most of its production in next few years

By Thorold Barker

RJB Mining, Britain's largest coal producer, yesterday dispelled some of the uncertainty over its future by securing a market for most of its production in the next few years.

RJB, which had already signed contracts for its coal with PowerGen and Eastern b Group, yesterday clinched a p four year deal with National Power worth up to £800m

(\$1.29bn). Richard Budge, RJB chief executive, said the groupnow had contracts for virtually all of its 25m tonnes of annual production.

He did not rule out further pit closures - Calverton Colliery in Nottinghamshire will close this week with the loss of 200 jobs - but said there were "no immediate plans".

RJB shares, which have Cfallen from a 12-month high of 167%p in June, rose 5p yesterday to 67p.

The new contract, for up to 28m tonnes, is on top of the three-year deal signed with National Power in April 1998 to buy 18m tonnes of coal. The combined con- of years, but longer term it tracts could be worth up to still faces the challenges of



rd Budge: no immediate plans for turther pit closures

£1.3bn. About 65 per cent of tighter environmental legis- about 100p, said the deal the volumes from the new lation and competition from would give it security of supcontract are believed to be committed. The remainder, especially towards the end of the period involve options, Coal accounted for about making the period after 2001 less certain.

Mr Budge said: "I am pretty confident the bulk [of the tonnages] will be taken." Mark Burridge, an analyst at Mervill Lynch, said: "The deal gives RJB security and breathing room for a couple

gas and imported coal, which will drive demand for UK coal lower."

53 per cent of UK electricity generation in 1995, compared with about \$4 per cent last

this could fall as low as 20 per cent by 2002. international spot price of expired.

Jefferson

upbeat on

Jefferson Smurfit, the Irish

paper and packaging group,

said yesterday the outlook

for its business, especially in

the US, was better than it

"The situation is looking

good on price recovery and I

mean recovery because we

are only getting back what

we've previously given away," said Dermot Smurfit,

shares advanced 16p to 142p,

up from 83p in October but

Jefferson Smurfit merged

its US business with Stone

Container last year and Mr

Smurfit said the group's

decision to take out capacity

in the US had been followed

by others. He said the US

capacity and a moderate

growth in demand should

mean that recent price

increases were sustainable.

However, Pat Barrett,

head of Smurfit Europe.

said conditions in the

UK remained "extremely

difficult" because of the

downturn in UK manufac-

turing and the strong pound,

however, had been offset by

Europe as a whole, although

the second half had been

The problems in the UK,

good performance in

down from 240p last May.

deputy chairman.

had been for some time.

Smurfit

US side

By Virginia Marsh

ply while allowing it flexibility for the future. This is important for National Power's Drax power station, which is being sold to allow it to buy the supply business

of Midlands Electricity.

increases of 1-1.5 per cent. "Tesco's sales in the last Last month RJB announced a 76 per cent fall two months of their finanin pre-tax profits to £40.1m cial year look phenomenal," for 1998, as the contracts said one. "The risk is that National Power, which is negotiated under the previ-Sainsbury will be trading pretty catastrophically." paying about 120p a giga- ous conservative governjoule compared with an ment at 140p a gigajoule Sainsbury is due to report on current trading on Friday.

£48m, up 26.3 per cent. RESULTS 0.017 (0.027) 0.324 (2.464) 21.8 (18.24) 2.784 (0.1484) 1.15 10.37 (56.2) (29.7) (2.571) (16,142) (104.2) (19.6) (4.23) (0.601) (4.40) (5.79) (150.24) (7454) (5.08) (1.67) (0.708) 3.71† 10.7 12.4 9.14 16.75L (4.52) (18.8) (9.8) (7.97") (6.21) (6.2) (662) (6.84) Rogby Estates Secretif (4) 4 Tesco Tie Rack __ 17 to Jac 31 17 0.53 ____ Yr to Dec 31 2.889 2.86 4.82 Yr to Reb 27 \$ 17,158 West Brownich © 6 miles to Dec 31 * **Xpertises © ______ 6 miles to _____ 6 19.8 3.94 Total inst Section of Reliefs ______ 3 miles to May 31 111.5 (\$5.8□) Location of Location _____ 6 miles to Feb 28 247.09 (224.96♦) MRG High Income ____ 9 miles to Feb 28 22.99 (27.94) Omestor WGT ______ Yr to Jen 31 110.1 (107.6) 0.764 (0.491) 1.2 (1.12) 1.56 (1.98) 0.562 (0.698) 1.51

Electra Fleming executives plan a £1bn fund

Executives at Electra Fleming, managers of the venture capitalist fighting a 21.3bn (\$2.09bn) hostile bid from larger rival 3i, are planning an independent existence, whether or not the trust is taken over.

Shareholders vote tomorrow on EIT's reconstruction proposals - a buy-back of 40 per cent of the shares and a wind-up over five years. he trust needs 75 per cent of the votes cast - a target analysts think it will not meet. Whatever the outcome.

Electra Fleming executives are hoping to raise a fibn fund to invest in "difficult" management buy-outs of £50m-£200m. Plans for the fund were

already in progress when 3i made its initial approach in

Electra Fleming currently manages £400m of funds beyond the trust. Brian Larcombe, 31 chief

executive, said recently that the knew at least some Electra Fleming managers did want to join 31, but that the group could manage the

Much of the argument between the two sides sur-

Friendly talks broke down, according to 3t, over plans to Electra Investment Trust, improve managers' incentives, whereby they invest in the shares of portfolio companies on the same favourable terms as the management buy-out team. A report by Towers Perrin,

the pay consultants, had concluded Electra had fallen behind competitors, it now emerges, and the proposal was for executives to be allowed to subscribe for 8 per cent of the trust's shares in portfolio companies, from 5 per cent up

previously. However, a person close to Electra Fleming said it was the prospect of fees on the new large fund, not the improved co-investment scheme, which was "keeping the team together".

Even if Electra Fleming executives voted with their feet, however, they would have to negotiate with 3i. "[Mr Larcombe] may do his damnedest. But it's

about culture. Electra Fleming acts as a partnership in every way. It doesn't want to be part of a buge machine,

assets without the team.

Scapa Group, the industrial manufacturing company, is to sell its paper machine clothing and rolls business to Voith of Germany for £329m (\$530m) in a move to counteract tough trading conditions.

If shareholders approve the deal, Scapa will reduce its debt and return £120m in the form of a special 50p dividend. It will then focus on its international technical tapes business, which had sales of £200m last year. The board hopes the move will lead to a a re-rating of its shares. These were hit by three profit warnings last year, but yesterday rose 27p

Voith, a private group, is machinery to the paper and Scapa by Lazards.

net assets of £252.9m.

ings not to distribute £25m of the proceeds as it has been named in a series of personal injury claims in five US states with cases pro-

supplier of plant and Hawkpoint Partners, and

packaging sector. It has 12,400 employees and sales last year were DM3.7bn

(\$2.03bn). Scapa's paper machine arm generated operating profits of £45.4m on sales of \$263.5m in the year to March 31 1998. At the time, it had

tive of Scapa, said: "We will be left with the technical tapes business which has plants throughout Europe and North America and speciality materials which we will exit over the next year." Scapa has given undertak-

Voith was advised by



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His comments came as the group reported profits up 19 per cent to E165m (\$226m). Scapa disposal to before exceptional gains of 165m, on sales ahead 12 per cent at If2.89bn. Overall pre-Voith for £329m tax profits rose to l£171m (IE150m). The results were better than expected and the

By Richard Rivin

David Dunn, chief execu-

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FINANCIAL TIMES



INTERVIEW SIR RICHARD SYKES

Stay healthy by getting bigger

The Glaxo Wellcome chairman is keen to secure the company's future through merger, writes David Pillina

Sir Richard Sykes is stooped over a moni-tor, his eyes eagerly running up and down a column of figures. He is looking for a share price, but not that of Glaxo Wellcome, the company he has run for four years. Instead, he is checking on SmithKline Beecham, the Anglo-American drugs group he failed to bring into Glaxo's embrace through a

"Down 12," he says with a mischievous grin. "Not

Sir Richard is joking. But few doubt that, should the opportunity arise, Glaxo's hard-edged chairman will reel in the catch that escaped his net last year.

Certainly, Sir Richard has put the industry on notice that he is seeking a megamerger. "If an opportunity presents itself, we are going to look at it," he says.
SmithKline would fit the

bill. So would a handful of others, including Bristol- available and Myers Squibb, the US group with which Glazo recently held exploratory merger talks, although these are now said to have ended.

Sir Richard says the notion of an ideal partner is illusory. "That's why when you say, Well why the hell don't you go and do it then?" the fact is there's no perfect match. It's all a question of compromise, of what's available and what's possible. That's why it doesn't auto-

matically happen." Yet happen, sooner or later, it probably will. Having successfully steered Glazo through the patent expiry of Zantac, the antiulcer drug on which its success was built, Sir Richard wants to ensure the company's long-term piece amone the industry's elite. That will almost certainly mean

The largest drugs groups are huge, making up eight of the world's top 25 companies by market capitalisation. Yet none comes close to dominating the \$250bn prescription drugs market; neither Glaxo. nor Merck of the US, nor Novartis of Switzerland the three biggest companies by most counts - has grabbed more than 5 per

cent of the global market. Research is so expensive that even these giants can mount significant efforts in only a handful of disease areas. Glaxo, for instance, has very few products in cancer or in cardiovascular medicine. The situation, says Sir Richard, Is "Iudicrous and unsustainable

'It's a question of compromise. of what's

what's possible' to double the R&D spend to produce a broader portfolio of drugs and to get greater global market share," says now when hig investment in earch is going to pay off The flurry of recent drug industry mergers - includin the future - there's no

del. Glaxo's executive direc-

tor for science and technol-

ogy, believe they could

fruitfully double the £1.3bn

(\$2.08bn) now spent on

"The driving force will be

research and development.

question about that," he ing that of Zeneca of the UK says. "You get a broader with Astra of Sweden - has portfolio [of drugs], greater been driven by weakness, he global reach and greater says. The first mega-merger marketing power." of two genuinely strong com-The performance of drugs panies will set the drugs companies, he believes, will business alight. "Once two increasingly depend on their companies at that level get ability to discover innovatogether, you will change the whole industry forever." tive drugs. Gone are the days when companies could Getting them together is pursue "me-too strategies" the problem. The SmithKline as Glaxo did with Zantac deal foundered because of and expect governments and clashes over top jobs and the suspicion that Glaxo wanted insurers to pay for new verto take over its rival without sions of old products.

paying a hefty premium. "In the past, Glaxo would jump on to other [people's] Since the collapse of talks, in February 1998, rumours discoveries...but to be successful in the future, one has have circulated that Glazo

modern scientific technology to come up with competitive goods that have real value." Sir Richard says the industry is on the threshold of revolutionary change driven by tremendous advances in unlocking the causes rather than the mere symptoms - of disease. That promises to transform the way drugs are discovered and the type of treatments sible. Scientists are racing to decode the human genome - the genetic blueprint contained in DNA and drugs companies are scurrying to patent the biological information emanating from such research. "It's like the scramble for Africa," says Sir Richard. There was a period when you could go in and divide Africa up; there's now a period when you can go in and sort the human genome Sir Richard and Jim Nie-

> will try again. Many are waiting for the retirement of Jan Leschly, SmithKline's chief executive with whom Sir Richard squabbled, as the trigger for a fresh assault. Mr Leschly is likely to go before September 2000. Sir Richard has even hinted that a hostile takeover is not out of the ques-

tion, praising recent margers in which the predator has persuaded institutions to ignore goodwill charges. "We would not let accounting practices get in the way," he "I obviously don't want to

give you any indication of whether it's on or off." he says of SmithKline, "All I can say is that because of

about the future [shape] of this industry, if the right opportunities occur we will look at them."

Besides SmithKline, Europe boasts only two companies - the Swiss groups Novartis and Roche - that come close to Sir Richard's requirements of a like-sized ment Glaxo's strengths.

US pharmaceutical companies, spoilt by years of exceptional growth in their domestic drugs market, are under little pressure to merge. Two that face loss of earnings through patent expiries - the mighty Merck and Eli Lilly - have stated their intention to go it alone. And not everyone is con-

vinced that Sir Richard's ing two R&D operations, they say, merely creates an operational headache and a bigger monster to feed.

"To put two big companies together, you're actually risking a hell of a lot." Sir Richard concedes. "Because you could argue there's no need to do it at all."

But he is sure the doubters will be proved wrong. "I think the whole future of this industry rests on investing today - sensibly of course - in the modern technology that will produce the competitive edge for the future." he says. "That is clearer to me today than



PAUL TAYLOR IN LONDON VIEWPOINT@FT

Privacy rules open a gulf of mistrust

The transatlantic row over data protection reveals cultural differences

Almost six months after the European Union privacy directive came into force, the gulf between US and European views on the issue of data protection remains as wide as ever.

Although both sides are reportedly working hard to make US self-regulatory regimes acceptable under the EU directive ahead of the IIS-EU summit in June, fundamental disagreements

remain. To a large extent these reflect deep-seated cultural differences. In particular, while most Americans distrust government, Europeans generally place little faith in industry

self-regulation. In Europe the directive has been promoted as a legitimate attempt to harmonise data protection across member states. But from a US corporate perspective, the tough controls over the "export" of personal data from within Europe are seen as an attempt to build and

maintain "Fortress Europe." Gary Clayton, a Dallas lawyer and privacy expert visiting Europe, describes the directive as "an outdated throwback to the days of the mainframe"

He claims it is already forcing some US-based multinationals, including banks, to circumvent the requirements by setting up disconnected centres in Europe to handle local

In the short term he.. acknowledges that may create a few more jobs, but in the longer term it will make European operations less competitive.

While there are legitimate

concerns about the misuse of private information, the EU directive still appears flawed. Perhans the enotiations the US will help focus attention on its limitations.

Technology and warfare have always been closely intertwined and information technology is no exception.

The first electronic computer was developed to crack the Nazis' Enigma code; the internet was designed as a resilient network linking US military-funded labs Even today the Pentagon

and its European and Asian counterparts still fund much of the most advanced research in computer science. But advances in the application of technology to warfare have always raised ethical eyebrows. When guns began to

replace swords, philosophers and poets complained that the age of chivalry was dead. The machine-gun and tank were similarly condemned. Now, the Desert Storm

campaign and the conflict in

Yugoslavia have prompted debate about the application of sophisticated software and computer systems to a remote control "television

Some technology and defence experts even sugge that future wars could be conducted almost entirely in cyberspace - by opposing teams of hackers using computer viruses and other "infowar" tactics to wreck opponents' economies and conventional war machines

Would such an infowar conducted from the keyboard rather than the battlefield be more acceptable than a physical conflict?

Certainly most "advances" in warfare - including the atom bomb - have been justified in the past on the basis that they shorten conflict. No doubt the same will be claimed for information wariare

Ever since European computer services company shares and profits started climbing strongly in the mid-1990s, pessimists have been looking for indications cf a downturn. Those voices have become

louder in recent months as 2000 has loomed. As Richard Kramer, Robert Smithson and Gregory Gold, Goldman Sachs' analysts and authors of the firm's latest report on European Computing Services, point out, "such a premise has been easy to postulate yet nearly

impossible to prove Too often, the authors ergue, evidence such as high levels of recurring revenues and order books covering half of current year sales have been ignored by commentators determined to latch on to "the last gasp of a 'doom and gloom'

cenario." Goldman's analysts say such negative views ignore the fundamentals. "So long as the wide: economy does not take a six-month holiday, the position of third-party service vendors in fighting fires alongside companies internal IT staff seems

secure." the report save. The authors then detail reasons why they believe there is no slowdown sheed. including the fact that not all customers have fully addressed the year 2000 computer date issues and that 'millennium bomb' work is only a small fraction of the work most IT services companies do. Thus the resolution of the millennium bomb problem should not lead to a significant shortfall

"A clear backlog of project work is building," say the analysts. "IT development waits for no man, and companies which make efforts to rectify non-compliant systems are likely to resume projects and systems development once Year 2000 issues are laid to

in revenues



JOHN KAY

Playing chicken can clip your wings

Cult movies involving games of dare offer lessons for a variety of business situations

The Bodleian Library in Oxford shuts for the week after Easter. So instead of burrowing through its dusty books and periodicals. I was forced to rummage among the old videos at home. Still. there is plenty to be learnt there about business and

есолотіся. I found much of interest in Rebel Without a Cause, the 1950s James Dean movie. The film climaxes in a game called chicken. Dean and his rival each drive a car towards a cliff. You win the game by jumping from the car later than the other player, but before it plunges

over the precipice. Chicken is a familiar business situation. If you blink first, you lose. But if neither of you blinks at all, you lose still more. Every negotiation has elements of chicken about it. Still, the

Dean version of the game is a difficult one to analyse. To learn about the mathematics of movies, it is easier to start with the simpler version of chicken in Stand By Me.

Here, the two protagonists drive their cars towards each other, on a road wide enough for only one vehicle. You win the game if you drive straight ahead while your rival swerves. If you both swerve, you both look foolish. And if neither swerves, disaster lies ahead. This, too, is a common

business problem. A market opportunity is profitable if one firm goes for it: but if many firms try, all will lose money. London financial services after Big Bang deregulation were a classic chicken game. Twenty-eight firms tried market-making in gilts, for example, and so

none could possibly make had jumped, or swerved, might profits be earned.

One lesson of chicken games is that - as was true in financial services in London - It is possible to lose far more than any potential gain could ever have justified. The problem is that once you are sucked into such a game, it always seems worth spending a little more. This is often true in races for patents and Innovations. Silicon Valley is full of exponents of chicken and its investors are

also playing. Perhaps we should refuse to play chicken. Yet if you stay out, you pass winning opportunities by. You can develop a strong position if you make an irrevocable commitment. If you could long as that number did so throw the steering wheel out

of the window, you would be money. Only when enough a certain winner in Stand by

This is the paradox of Alexander the Great burning his boats. You can do better by restricting your options. If you cannot quit, or risk losing a reputation as a stayer, you are a formidable opponent at chicken. But the greatest paradox is

that it is often best to adopt random behaviour in chicken games. It is possible to write down the mathematics of the problem faced by the two groups of boys in Stand By Me and to show that, in general, a good solution for each is to swerve sometimes and to stick sometimes. You can even calculate how often you should swerve and how often

But how to decide which

randomness wine half the time against another random player. The only way to keep your strategy secret from others is not to know what i is yourself. This is not a recommendation that business strategies be based on the toss of a coin, although that might be safer than some alternatives. As more and more firms think

about the restructuring of

the industries they are in. it

mistake to rely on any

objective criteria. If you did,

guess at how you made your

decision and act accordingly.

I could not find a film with

the child's game of stone,

illustrates the point. Stone

paper; but paper covers a

stone. Any predictable

behaviour loses and

blunts scissors; scissors cut

scissors, paper but it

then your opponent might

is hard not to recall the observation of Josh Billings, the American humourist, that the trouble with people is not that they don't know, but that they know so much that ain't so. Not knowing may still be

better than knowing, random behaviour more profitable than rational analysis. Limiting your flexibility may yield higher pay-offs and you can lose far more from the chicken game than you could ever hope to win. Learn to play chicken in business when you must, but learn from Rebel Without a Cause and Stand by Me that it is usually better not to be playing these games at

The outhor is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

INFORMATION TECHNOLOGY WEB PUBLISHING l'aming a many-headed monster Online news must be carefully controlled to maintain its value, says Richard Poynder

web site. To its mortifica-

comment from competitors. The error had no legal consequences and caused only ing into the public domain. temporary embarrassment to ABC. But as just one of a number of examples of private information leaking on

large web sites. For newspapers, whose sites often encompass huntask is a nightmare.

ment" systems are increas- Media.

On the eve of last ingly used at newspaper sites. They offer much more ment systems aim to exploit functionality than tradi- the web more effectively, but tional web publishing tools, there is no consensus on the and usually include work- best method. Systems such restricted-access area of its flow software, streamlined as StoryServer and Inso's web page production, and DynaBase use "dynamic tion, the information was in file-locking to ensure only publishing" techniques fact accessible to the public one person can edit a web page at one time. There are

Last year The Chicago Tribune adopted StoryServer, developed by Texas-based to the web, it underlined the management has been simchallenges of managing plified, and production staff a database that can serve cut by 10 per cent, despite doubling its web traffic.

sensitive information spill-

"StoryServer enables us to dreds of thousands of pages generate many more pages, and where updating can take and to devote less time to place every few minutes, the routine work and more to doing creative things," says To address the problem. Owen Youngman, director of powerful "content manage- Chicago Tribune Interactive

you should stick.

option to adopt? It is a

The new content managewhere all the components of a web page, including text. also complex controls to stop graphics and files such as of FT.com. audio or video, are generated "on the fly", instead of using Whatever their differ-

static HTML pages. However, as Leah Gentry, editorial director of new media at the Los Angeles Times, says, there is not yet content dynamically while handling large volumes of traffic. The LA Times chose TeamSite, a system developed by California-based Interwoven, which uses traditional "flat" HTML pages.

With content management

systems costing at least

newspapers prefer to use existing tools. The Financial Times, for instance, has built on its Lotus Notes group-"Our approach has been to integrate our own systems pers to personalise informaon top of what we have got." says Paul Maidment, editor

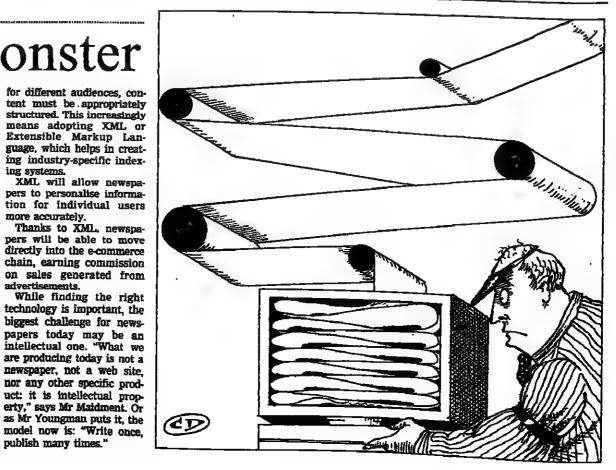
ences, everyone does agree that publishing on the web is significantly different. As Erik Josowitz, vice-president of product marketing at something is being produced that will be frozen in time. "The web is the exact oppomation being released many times during the day.

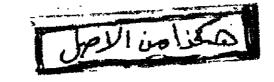
Because the web enables \$100,000 and disagreement dice" their content endlessly publish many times."

for different audiences, content must be appropriately structured. This increasingly means adopting XML or Extensible Markup Language, which helps in creating industry-specific indexing systems. XML will allow newspa-

tion for individual users more accurately. Thanks to XML, newspapers will be able to move directly into the e-commerce chain, earning commission

While finding the right Vignette, says, in print technology is important, the biggest challenge for newspapers today may be an intellectual one. "What we site - it requires you to do are producing today is not a lots of things in parallel, newspaper, not a web site, with multiple bits of infor- nor any other specific product: it is intellectual propnewspapers to "slice and model now is: "Write once,





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FTSE Actuaries Share Indices

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FISE Exercise in

Unglamorous cyclical stocks coming back into fashion

Cyclicals are battling for upper hand with growth stocks, writes Bertrand Benoit

European equity markets have provided the arena for a battle between the advocates of two distinct types of stocks.

Since the and of last year. advocates of cheap cyclical, or value, stocks - unglamorous industrial and conearnings track economic growth - have argued they were on their way back while the bull run in fashionable growth stocks with a fast-rising revenue

Recent signs of a rally in value stocks seem to compound this view. But the more cautious analysts are still urging restraint, saying that the risks of switching from growth into value far outweigh the gains available in an uncertain economic

Most industrial cyclicals

or the past aix mouths, ter. In the basic industry segment of the FTSE Eurotop 300 index, construction and building as well as forestry and paper stocks rose more than 10 per cent although chemicals fell.

Meanwhile, cyclical services outperformed the index by 2.8 percentage points, and leisure stocks.

Cyclical consumer goods, however, lagged following losses in automobile issues. For sceptics, the rise was underperformance over the

they say, ensured the revival would be short-lived. Stubbornly robust growth American economies have been cited as heralding a return to export-led growth

In addition, clouded

macro-economic prospects,

Euro-zone coverage extended

The FT today extends its euro-zone financial coverage with a new look for this page, which will now contain longer, analytical articles on trends in European equity, fixed income and currencles markets. The daily report on euro-zone equity markets has moved to the World Stock Markets page. The page's statistics are unchanged, with the exception of the interest rates swaps table, which moves to

the International Capital Markets page, and Euribor and Euro Libor derivatives contracts, which now appear on the Currencies and Money page.

investment theory proclaims that investors will move out gloomy. of expensive growth stocks into cheaper cyclicals in time of accelerating gross domestic product growth. when the latter sector would receive the greater propor-

tional benefit. from certain that Europe is in the US and the reawaken recovering. A pick up in ing of Asian and Latin French unemployment in months, threatens to dent the country's bouyant consumer confidence, while in

ness sentiment remain fairly

optimistic European Commission recently cut its pan-European 1999 GDP growth forecast to 2.1 per cent from 2.4 per cent, blaming trade difficulties and sluggish

"With France, Italy, and Germany bumping along the bottom, it seems too early to February, the first in six consider a move into cyclicals." says James Cornish. European strategist at BT Alex Brown, who favours a

who advocated a move into cyclicals in January, admits that "despite the recent pick up in value stocks, investors remain worried about the

Many analysts think this year's rally in cyclicals has little to do with any renaissance, Mark Howdle, at Salomon Smith Barney, says the yields, one benchmark for valuing European stocks, has been a key factor in the switch from growth stocks.

With the yield on the 10year US Treasury now above 5 per cent, against 4.6 per cent in early January, high price-earnings ratio growth stocks are looking overvalned. Such stocks depend heavily for their value on future earnings potential, but that potential has to be discounted using bond vields to get a present value for the stock; when the yield rises,

the present value falls. For Ian Scott, pan-Euro-

Richard Davidson, Euro- Brothers and a vigorous pean equity strategist at advocate of cyclicals since Morgan Stanley Dean Witter, October, there is little correlation between accelerating GDP growth and surging

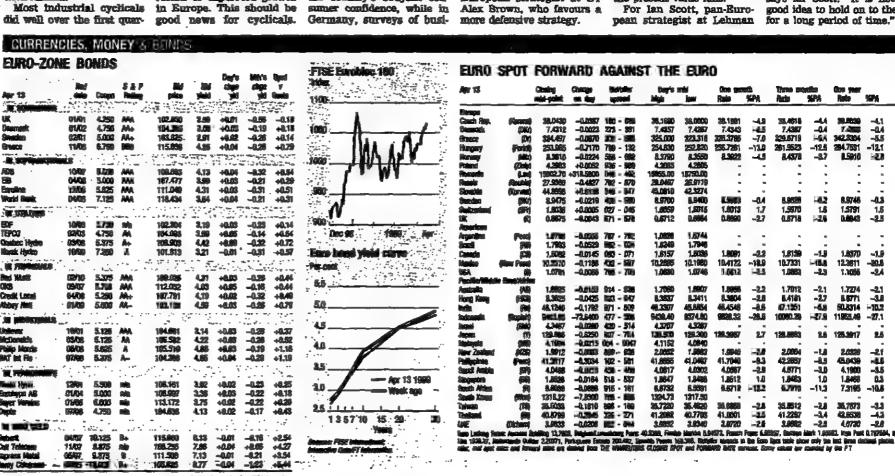
Over the last 10 years, according to figures from periods of cyclical outperformance took place during an economic slow-down.

What matters, savs Mr Scott, is the market's percepreflected in the valuation of the stocks.

Despite their recent pick-up, cyclicals remain priced for a recession in 1999, he claims, while he and on a modest slow-down.

One thing defenders and critics of cyclicals agree on however, is the risk inherent in a value-centred strategy

form for a couple of months good idea to hold on to them



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AUCTION NOTICE

UK GOVERNMENT EURO TREASURY NOTES

For auction on 20 April 1999 1 The Bank of England announces the sale by Her Majesty's Tressury of e500 million nominal of UK Government Euro Treasury Notes, for auction on a bid-yield basis on Tuesday, 20 April 1999. These Notes will add to and be fungible with the e500 million of the same security sold by auction on 19 January 1999.

The €500 million of Notes to be sold by auction will be deted as of 28 January 1999 and will mature on 28 January 2002. Notes will bear an annual coupon of 2.75% payable on 28 January, starting on 28 January 2000. Payment for Notes allotted in the suction will be due on 23 April 1999; the amount payable will include 85 days accrued interest.

The amengements for the auction are set out in the information Memorandum on the UK Government Euro Treasury Note programme issued by the Bank of England on behalf of Her Majesty's Treasury on 12 January 1999 (the "Information Memorandum"). This auction will be subject to the provisions of the Information Memorandum and to the provisions of this notice.

4 The auction will be open to anyone who wishes to apply. All applications must be made on the printed application forms available on request from the Sank of England or, in the case of the available on reputed that his called to the reputed of a transfer of the tease of the market makers listed in the information Memorandum, by telephone. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services, Threadnesdie Street, London not later then 10.30 a.m., London time, on 20 April 1999.

S. Applications must be made on a yield basis (calculated on the basis of the actual number of days in the year and, in the case of an incomplete year, the number of days elapsed) rounded to two dactural places. Each application form must state the yield bid and

 Each application at each yield must be made on a separate application form for a minimum of \$500,000 nominal. Application above this minimum must be in multiples of €100,000 nominal.

apprication from for a minimum of escouloto nominal. Applications above this minimum must be in multiples of €100,000 nominal.

7 Notification will be despetched on the day of the auction to applicants whose applications have been accepted in whole or in part. For applicants who have requested credit of Notes in global form to their account with Euroclear or Cedelbank, Notes will be credited in the relevant system against payment. For applicants who have requested definitive Notes, Notes will be available for collection at Customer Settlement Services at the Bank of England after 1.30 p.m. on 23 April 1999 provided cleared funds have been credited to the Bank of England's Euro Treasury Notes Account No. 59045828 with Lloyds Bank PLC, Bank Relations, St George's House, PO Box 787, 6-8 Eastcheap, London, EC3M 1LL and provided that the Bank of England has received satisfactory evidence of entitlement to collection. Definitive Notes will be available in amounts of €1,000, €10,000, €100,000 and €1,000,000 nominal. If any applicant whose application is accepted has requested definitive Notes, other applicants whose spellcation has been accepted and who requested Notes in global form may nevertheless be required to accept definitive Notes under the rules and procedures of Euroclear and/or Cedelbank. In such event, such definitive Notes will be held by the Bank of England as the specialised depository for Euroclear and/or Cedelbank, in such denominations as the Bank of England may determine, for such applicants who requested Notes in global form.

a Her Majesty's Treasury reserves the right to reject any or part of any auction.

9 The tender notice issued on 12 January 1999 stated that 6550 million rominal of the Notes allotted to the Benk of England for the account of the Exchange Equalisation Account ("EEA") on 28 January 1999 would be held by the Benk of England for the account of the EEA with the intention that they would be sold in authenue operations with the market makers listed in the lateration that they would be sold in authenue operations with the market makers listed in the lateration. information Memorandum. @500 million nominal of these Notes are to be sold in the auction on 20 April 1999, will constitute a further tranche of the Notes meturing on 28 January 2002, and will be fully fungible with the Notes sold on 19 January 1999. ©50 million nominal of these Notes will be retained by the Bank of England for the account of the EEA and added to the Bank's holdings of Notes which may be made available for sale and repurchase operations with the market makers listed in the niometica Memorandum.

10 Copies of the Information Memorandum may be obtained from the Manager, External Debt, Foreign Exchange Division at the Bank of England (telephone number 0171 601 5982). UK Government Euro Treasury Notes are issued under the National Loans Act 1968.

Bank of England 13 April 1989

Serbian news hits European prices Corporate debt

BENCHMARK BONDS By Arkady Ostrovsky aad John Labate

hit yesterday by reports of bond markets was limited. Serbian troops crossing the border with Albania while the US bond market suffered from strong economic data and the strength of equities.

Fears of a possible spillover of the Kosovo conflict into Albania caused a brief flight to quality, according to market observers, which resulted in a steepening of

the yield curve. the Organisation for Security and Co-operation in Europe said Serb forces had crossed into Albania and occupied a border post.

Greek government bonds were among the worst hit, kets also weighed on bond expected, up by 0.2 per cent,

points to 199 basis points. But analysts said impact European bond prices were of the conflict in Kosovo on David Knott, at Deutsche Bank, said the markets

would be seriously affected only if Nato decided to send ground troops to Kosovo. European bond traders were also disappointed by the comments made by Christian Noyer, vice-presi-

dent of the European Central Bank, who confirmed that last week's 50 basis point cut The 10-year German bund in euro-zone interest rates future fell 0.36 to 115.68 after would be the last in the business cycle. "I expect this to be the last

interest rate cut in the currency cycle," he told journalist late on Monday.

The strength of stock mar- in March was better than

The 10-year yield spread prices as investors continue many widened by 9 basis into equities, analysts said. US Treasuries weakened

after the morning release of retail sales and consumer prices data. Observers said the US

economy defied sceptics once again, revealing no increased inflationary pres-

Retail sales were up a weaker than expected 0.2 per cent in March, but that was offset by an upward revision of sales figures for the two previous months. The Treasury markets

by the upward revision of retail sales for February from 0.9 per cent to 1.7 per

were particularly concerned

The consumer price index

Mr Knott said the rise in between gilts and German registered in March figures. sectors, was 0.1 per cent

stronger. By early afternoon the benchmark 30-year Treasury bond was down 1/2 to 96%. signs of slowing growth or sending the yield up to 5.485 per cent.

Among shorter-term issues the 10-year note was down ! to 97%, yielding 5.099 per cent and the two-year note was off 🛦 to 🤐, yielding 4.925 per cent. UK gilt prices continued to

weaken as further signs of economic recovery emerged. The British Retail Consortium said retail sales rose 3.9 per cent on a like-for-like basis in the year to March. the strongest performance in

almost a year.

between Greece and Ger- to transfer funds from bonds oil prices may not have been bunds has widened by 13 basis points to 74 basis The core CPI, which points over the past week as excludes energy and food investors interpreted the 25 basis points cut in UK interest rate last week as the last one in the cycle, said Phyllis Reed at Barclays Capital. The 10-year gilt future closed

0.29 lower at 117.98. Japanese government bond prices also fell yesterday as investors switched funds from bonds into a rallying equity market, said Joanne Collins at Daiwa Europe.

She said investors were also anxious ahead of next week's monthly 10-year bond auction, fearing the coupon on a new 10-year JGB could be lower than expected. given the low yields on Japanese bonds. The benchmark 10-year JGB future fell 0.42

defaults rise in US

By Arkady Ostrovsky

US companies accounted for more than half of all corporate debt defaults in the first quarter of the year, while the number of emerging markets defaults fell by 65 per cent year-on-year. according to a report by Moody's Investors Service. the international rating

Moody's said 19 US companies contributed \$3.4bn, or 68 per cent, of total defaulted long-term corporate debt in the first quarter - up from 12 US borrowers defaulting on \$1.9bn of honds in the same period last year.

"With the US economy expanding at a somewhat slower pace and with US bond issuers being riskier than the worldwide average. we expect that the US will continue to be the primary source of corporate bond defaults in 1999." Sean Keenan, senior analyst at Moody's, said.

While the total number of of defaulting companies fell from 33 to 27 year-on-year in the first quarter, the number of rated companies defaulting doubled from 10 to 20 and the total defaulted debt was up from \$4.3bn to \$5.1bn.

There were only six emerging markets defaults in the first quarter, compared with 17 emerging markets defaults in the same

period last year. Among US companies, Favorite Brands International was the largest defaulter, on \$395m of debt, while defaults from emerging market countries included two shipping companies based in Greece, and

Tussauds to Market St securitise ticket sales

By Khozem Merchant

Tussauds Group, which includes the world famous Madame Tussauds wax works museum and the Alton Towers theme park, is to launch a \$230m bond securitised on ticket and merchandise sales in the first asset-backed offering by a European leisure group.

The offering will be split into £170m single A rated and £60m triple B rated fixed-rate tranches of medium and long-term maturities up to 25 years.

BT Alex Brown, which is lead-managing the issue, started a roadshow for investors this week and pricing will take place at the end of this month.

Separately, bankers have arranged a £40m "seasonal revolver" loan facility for the group. This is a credit line designed to even out the seasonal peaks and troughs of the business.

Tussauds, some of whose theme parks are closed for up to four months a year. would be able to draw on this credit line during the winter, when business is less busy, and reimburse in the summer, when business is brisk, said bankers.

Tussauds Group, which also takes in the London Planetarium, the Rock Circus in Piccadilly, Chessington World of Adventure, Thorps Park and Warwick Castle, was sold by Pearson, the media group that owns the Financial Times, to Charterhouse Development Capital for £352m in October

last year. The group also boasts

New York in the U.S. The leisure group's bond offering is the latest in a.

series of securitisations by UK borrowers. Property company British Land said this week it was launching a £1.540n bond supported by the cash-flows such as rentals from properties at its Broadgate complex in London, the largest deal

of its kind. It was preceded by several smaller structured financings by nursing homes and pub groups including Welcome Break, Roadchef and the Unique Pub company.

Tussauds Group, like British Land, was keen to secure long-term financing at current low rates, a consequence of the historic low gilt yields that have reduced the cost of funds. "From a financing point of

view, normal leverage buyouts are done on seven to 10-year financing instruments." said an official close to the deal. "With this securitised bond, we can extend beyond 10 years. To access that you have to show you have businesses that have a long-term future."

Madame Tussauds, which is more than 100 years old, reported annual compound growth of 12 per cent during the 1990s. However, in terms of revenues, Alton Towers is the top performer in the

long-term one, we are able to ask investors to take a long-term view that is not often possible in, say, hightech or manufacturing. where the business cycles

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DO FOR THE

IDB issues \$1bn | global bond

NEW ISSUES

Inter-American The Development Bank led the dollar issuance market yesterday with a \$1bn global

bond, one of several in the US currency recently. Bankers said the appeal of the IDB offering, which was lead-managed by Morgan Stanley Dean Witter and Lehman Brothers, was enhanced by the improved tionally active investors in sentiment surrounding Latin the 10-year sector, and cen-America after recent turmoil trail banks from other Asian following the devaluation of

the Real by Brazil. This resulted in a larger rity band. than usual placement among

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offered a small pick-up gainst US agency paper. European investors were the largest single buying group, followed by US and

Asian investors. Bankers said the appetite for dollar paper was helped by other factors, such as evidence of renewed demand

after the Easter holidays. This broadly coincided with the Japanese year-end and reasses ments by Japanese buyers, which are tradibuyers in the five-year matu-

The European Investment Bank, which launched a fiveyear \$1bn bond earlier this

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N STEELING European Inviment Bankini	200	5.50	103.51	Dec 2009	0.325	+60(59xDec09)	Salomon Smith Barney

launched last October. Salomon Smith Barney lead-managed the original countries, which are regular issue and yesterday's reopening. The bond was priced to yield 59 basis

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bilitation of Asian credit in likely to be launched today general and South Korean and priced tomorrow. credit in particular, when it launches the first international bond since the country's investment grade credit rating was restored earlier points over the relevant UK this year.

Bankers close to the deal say the bond is likely to be priced to yield 30 to 50 basis

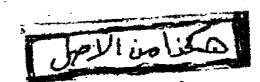
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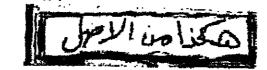
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Portugal Spain Sundon Sulficoriend UK UK UK	05/01 05/09 08/08 01/01 07/09 05/08 05/08 05/08 01/08 11/01 12/03 12/03 12/03 12/05 01/01 02/04 11/08 02/29	6.500 108.450 5.375 102.320 1.375 102.320 1.375 103.740 10.000 107.370 10.250 107.346 6.500 117.514 4.500 107.730 6.500 107.730 6.500 107.730 6.500 107.730 4.500 107.730 4.500 90.876 4.750 90.876 4.750 90.876 4.750 96.404	4.66 4.68 2.79 4.08 2.74 4.08 2.74 4.14 1.16 2.75 4.86 4.42 4.42 4.43 4.43 6.10	+0.05 +0.02 +0.03 +0.03 +0.05	406 - 4071 - 408 -	223 +0.3 1.33 +0.5 1.45 +1.45 1.45 +1.4	4 Sup 3 M MOTIO 2 Jun 1 M MOTIO 2 Jun 1 M MOTIO 2 Jun 1 M M M M M M M M M M M M M M M M M M	Coun 118.17 Lives also traded SELT PUTURES 1.17 0.89 0.51 0.53 aut, Cube 430 Put EASURY BOND	108.18 Cicae 117.98 117.70 117.70 0 APT. AR 0 0 OFFICIAL Q 2.0 1.3 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1	-0.06 FFE; £100, Change -0.29 -0.29 -0.29 Change -0.29 Ch	High 118,44 High are for 1,000 1000mm 1000 1000mm 1000 1000mm 10000 1000 1000 1000 1000 1000 1000 1000 1000 1000 1000 1000 1000 10	117.90 proton day. 19 100%. Sup 1.35 1.81 1.87 2.14 2.45 2.77 11712 Pers 218 1100%	6 0 Bat. vol. Open 22980 824 0 0	FTSE ACI Price testions UK 682x 1 Up to 5 year 2 5-10 years 3 10-15 years 4 5-15 years 5 Over 15 year 6 terrotesmutch 7 All electes (4 Vield facilizati 10 yes 15 yes 21 yes 22 yes 23 yes 24 yes 25 yes 26 yes 27 yes 28 yes 28 yes 29 yes 20	112 ries 171 ri 171 ri 173 ri 174 ri 175 ri	Tue Apr 13 121.27 171.06 185.76 175.33 2325.55 185.33 4pr 12 17 4.52 6 4.52 5 4.52 5 5 4.52 5 5 4.52 5 5 4.52 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	Day's // chge % (-0.09 -0.17 -0.18 -0.17 -0.09 -0.25 -0.13 r ago 8.02 5.77	2.43 2 2.95 2 2.21 1. 2.73 1. U.09 1. 4.19 2.88 2 Yield fred	adj Tr fid Res 25 120 67 134 44 146 48 137 13 150 21 190 22 190 23 136 48 48 48 48 48 48 48 48	otal (bern Yee) 19.96 N.7 (17.48) 4.5 (4.5 17.26) 4.5 (4.5 17.	id Yes 19 2.3 19 5.6 10 8.6 10 8.6 10 8.7 11 21.1 17 6.5 18 12 Yr 1.65 5.1 1.65 5.1	75 Welcom 2 2 29.0 13.0 2 43.2 29.0 13.0 27.5 0.7 2 10.0 14.3 20.0 20.0 20.0 20.0 20.0 20.0 20.0 20	6 Index-Bale 27 1 Up to: 62 2 Over 5 28 3 5-15 v 28 4 Over 1 57 5 A8 stor 79 300 Aual yield Up to 5 yr	Apr 13 C 2.98 1.79 1.77	Inflation for yrs Ap 3.22 2 13.37 1 16.5 1 17.13 1	Tue Apr 13 226.55 269.30 248.78 286.72 280.70 0% — 7 12 Yr 288 1. 1.76 2.	-0 02 -0.07 -0.05 -0.08 -0.06 -0.06 100 100 100 100 100 100 100 1	A2 1 2.11 2 2.15 3 0.05 3 1.16 2 1.10 1.10 1.10 1.10 1.10 1.10 1.10 1.
Portugui Spain Sundon UK UK Landon chusing Vision Langi is onet physika i nest is onet physika i	05/01 05/09 08/08 01/01 07/09 05/06 05/06 05/06 05/06 11/01 12/03	8.800 108.450 5.375 102.320 1.375 102.320 1.08.460 0.000 107.370 0.250 107.345 6.500 107.345 4.250 116.550 107.750 6.500 107.750 6.500 107.750 6.500 125.850 4.500 92.277 4.750 90.878 4.750 97.3424 6.500 155.850 6.404 6.404 yield brain. We	4.66 4.06 2.79 4.08 2.74 4.08 2.75 4.08 2.16 4.16 2.15 4.85 4.42 4.42 4.43 4.96 8.01 3.50	+0.05 +0.02 +0.02 +0.03 +0.03 +0.03 +0.03 +0.03 +0.03 +0.03 +0.05	406 - 4071 - 408 -	222 +0.3 1.27 -0.5 1.26 -1.4 1.24 -1.5 1.24 -1.5 1.24 -1.5 1.24 -1.5 1.24 -1.5 1.24 -1.5 1.24 -1.5 1.25 -1.5 1	4 Sep 3 Mr MOTEO 2 Aury 2 Sep 3 Sep 4 LUTTE 5 Mr LUTTE	Coun 118.17	108.18 Citizes (J. Citizes (J. 117.76 117.76 117.76 117.76 10.77 (J. 117.76) 10.77 (J. 117.76) 11.11 1	-0.06 FFE; 2100, Change -0.29	High 118,44 High, are for 1,000 100000 1,000 100000	100% 117.00 present day. 10 160% Sep 1.38 1.87 1.87 1.87 2.45 2.45 2.77 11712 Pers 818 1 100% 1 100%	6 0 Bat. vol. Open 22990 824 0 0 PRTS ————————————————————————————————————	FTSE ACI Price tradices UK 68ths 1 Up to 5 year 2 5-10 years 3 10-15 years 4 5-15 years 5 Over 15 year 6 Netterion of Malendamy 6 year 10 yea	Luaries 15 (15) (7) (8) (9) (4) (4) (4) (5) (45) (45) (45) (45) (4	Tun Apr 13 121.27 171.06 185.76 175.33 232.87 325.55 186.23 4.62 5 4.52 5 4.52 5 4.52 5	Day's / chge % (-0.06 -0.17 -0.18 -0.17 -0.08 -0.13 / ago 8.02 -0.13 / ago 8.02 -0.13 / ago 8.02 -0.13 / ago 8.02 -0.13 / ago	Account of interest y 2.43 2 2.95 2 2.27 1. 1.09 1. 4.19 2 2.88 2 Yield fault irred † Heed. 15 High 15 y w. † Fire yield	adj Tr rid Ref 225 120 267 134 348 146 348 136 221 190 221 190 231 136 241 190 241	19.96 W.7 17.44 4.55.47 1.35.47 1.35.47 1.35.47 1.35.47 1.35.47 1.35.47 1.35.47 1.35.47 1.35.45 1.45.44 1.54 1.45.44 1.54 1.55 1.55	id Yes 19 2.3 19 5.6 10 8.6 10 8.6 10 8.7 11 21.1 17 6.5 17 12 17 1.63 5. 1.52 9. 1.63 5.	75 Welcom 76	6 ght Index-link 27 1 Up to 5 62 2 Over 5 98 3 5-15 v 98 4 Over 1 5 A6 stor 79 000 Anal yield Up to 5 yr Over 5 yru 5-15 yru 5-15 yru Over 15 yru	Apr 13 C 2.98 1.79 1.77	Inflation for yrs Ap 3.22 2 13.37 1 16.5 1 17.13 1	Tue Apr 13 226.55 259.30 246.78 286.72 260.70 0% —— ** 12 Yr 1.76 2.1.52 2.1.52	-0 02 -0.07 -0.05 -0.08 -0.06 -0.06 100 100 100 100 100 100 100 1	A2 1 2.11 2 2.15 2 2.16 2 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Portugui Spain Sundon UK UK Landon chusing Vision Langi is onet physika i nest is onet physika i	05/01 05/09 08/08 01/01 07/08 05/06 05/06 05/06 11/01 12/03	8.800 108.450 5.375 102.320 1.375 102.320 1.08.460 0.000 107.370 0.250 107.345 6.500 107.345 4.250 116.550 107.750 6.500 107.750 6.500 107.750 6.500 125.850 4.500 92.277 4.750 90.878 4.750 97.3424 6.500 155.850 6.404 6.404 yield brain. We	4.66 4.06 2.79 4.08 2.74 4.08 2.75 4.08 2.16 4.16 2.15 4.85 4.42 4.42 4.43 4.96 8.01 3.50	+0.05 +0.02 +0.02 +0.03 +0.03 +0.03 +0.03 +0.03 +0.03 +0.03 +0.05																								
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Fortingal Spain Station Station in the state of the state	05/01 05/09 08/08 01/01 07/09 05/08 05/08 05/08 05/08 11/01 12/03	6.500 108.450 5.375 102.320 1.375 108.740 0.000 103.870 0.000 107.370 0.250 107.348 6.500 117.514 4.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 107.780 6.500 108.800 6.	4.66 4.06 2.79 4.08 2.74 4.08 2.75 4.08 2.16 4.16 2.15 4.85 4.42 4.42 4.43 4.96 8.01 3.50	+0.05 +0.05	4.05	223 + 6.3 1.33 - 6.5 1.36 - 1.4 1.35 1.36 - 1.4 1.35 1.34 - 1.5 1.34 - 1.5 1.34 - 1.5 1.34 - 1.5 1.35 1.35 - 1.6 1.35 1.35 - 1.6 1.35 1.35 - 1.6 1.35 1.35 - 1.35	4 Sep 3 M WOTE 2 Aur 2 Sep 3 * LTT 4 Sep 3 * LTT 4 Sep 3 * LTT 4 Sep 4 T1750 1	Cogn 118.17 Lines also traded SELT PUTURES 1.47 0.89 0.85 0.51 0.33 ml, Cube 430 Pu EASORY BOND 10pm, 123-02 122-03	108.18 (Crures (J. Cruse 117.98 117.90 117.9	-0.06 FFE 2100. Change -0.29 -0.27 Open learner LEFFE 5100. 15 1 15 1 15 1 15 1 15 1 15 1 15 1 15	High 112,44 Ig. are to 1,000 100min 1,000	100% 117.00 117.00 100% Sup 1.51 1.61 1.61 1.67 2.14 2.45 2.77 11712 Pers 214 1 100% Low 125-23 126-10	Bat. vol. Open 22980 824 0 0 PWTS	FTSE ACI Price Indices UK 68ths 1 Up to 5 year 2 5-10 years 3 10-15 years 4 5-15 years 5 Over 15 year 6 involumentable 7 All obtoics (4 Yield Indices) 5 yes 10 ye	11. (15) (15) (17) (17) (18) (18) (19) (19) (19) (19) (19) (19) (19) (19	Tun Apr 13 12:27 17:105 185:76 175:38 175:38 232:87 325:55 186:38 Apr 12 Yr 4.82 6 4.52 5 4.52 5 Avia, Hight 13 Apr 7 1.19 114:As rights res	Day's // Chge % // -0.09 -0.18 -0.19 -0.26 -0.13 r ago 8.02 5.71 5.70 // 11% and are 12	Agr 8 114.15	adj Tripid Re 25 120 87 134 44 146 137 136 136 136 136 136 136 136 136 146 146 146 146 146 146 146 146 146 14	otal (hem Yes) 19.96 4.1114 4.515.47 4.515.47 4.512.25 4.512.25 4.512.25 4.514.4.54 4.514	id Year 19 2.2 19 5.6 10 8 6 10 8.7 11 12 17 1.63 5. 1.63 5. 1.63 5. 1.7 1.7 1.7 1.83 5. 1.83 5. 1.83 5.	rs Welcon 10 33.2 12 29.6 13.8 1	6 ght Index-Illaic 27 1 Up to : 62 2 Over 5 98 3 5-15 v 98 4 Over 1 5 A8 stor 99 000 Aual yield Up to 5 yr Over 5 yru 5-15 yru 5-15 yru All Stocks	Apr 13 C 1.79 LBO 1.7	Inflation. har yrs. Ap 3.2.2 2 13.37 1 14.65 1 17.13 1 11.82 1 Apr 12 155.84 threes high: 65 1804	Tue Apr 13 226.53 259.30 246.78 286.72 260.70 0%	-0 02 -0.07 -0.07 -0.08 -0.06	### 13 D
Portugui Spain Sundon Sulfopriumi UK	05/01 05/09 08/08 01/01 07/09 05/08 05/08 05/08 05/08 11/01 12/03 12/03 12/03 12/03 12/03 12/03 12/03 01/01 02/04 11/08 02/29 ***********************************	8.800 108.450 5.375 102.320 1.375 102.320 1.375 103.470 0.000 107.370 0.250 107.345 6.500 107.345 6.500 107.365 6.	4.66 4.06 2.79 4.08 2.74 4.08 2.95 4.14 1.16 2.15 4.86 4.82 4.42 4.43 4.86 8.07 8.10 9.50 Motherland New Zeala New Zeala Portagal	+0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 *0.05	4.05	223 + 6.3 1.39 - 1.5 1.16 - 1.4 1.5 1.14 - 0.8 1.24 - 1.5 1.24 - 1.5 1.24 - 1.6 1.24 - 1.6 1.24 - 1.6 1.25 - 1.6 1.27 - 0.7 1.07 - 1.2 1.08 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.2 1.09 - 1.3 1.4 -	4 Sep 3 M WOTED 2 Aury 2 Sep 3	Cogn 118.17 Lines also traded SELT PUTURES 1.47 0.89 0.85 0.51 0.33 ml, Cube 430 Pu EASORY BOND 10pm, 123-02 122-03	108.18 (Crures (J. Cruse 117.98 117.90 117.9	-0.06 FFE 2100. Change -0.29 -0.27 Change beenst LFFE 5100. 15 1 15 1 15 1 15 1 15 1 15 1 15 1 15	High 112,44 Ig. are to 1,000 100min 1,000	100% 117.00 117.00 100% Sup 1.51 1.61 1.61 1.67 2.14 2.45 2.77 11712 Pers 214 1 100% Low 125-23 126-10	Bst. vol. Open 22980 824 0 0 PMTS 0 Est. vol. Open 207,914 557,3 4771 3,39	Price Indices UK 620s 1 Up to 5 year 2 5-10 years 3 10-15 years 4 5-15 years 5 Over 15 year 6 involumental 7 All elects (4 Vigid Indices) 8 yea 10 yea 15 yea 15 yea 15 yea 15 yea 16 yea 16 yea 17 years 18 yea 18 yea 19	112 ries (15) (7) (7) (8) (8) (9) (4) 11) Apr 13 / 4.55 4.53	Tun Apr 13 12:127 17:106 185:76 175:33 222:27 325:55 185:33 Apr 12: Yr 4:62: 6 4:52: 6 4:52: 6 4:52: 6 185:76 113 Apr 1 13 Apr 1 19 114:A 14:45: 6 10 114:A 14:45: 6 16 115 17 114:A 18:45: 6 18	Day's / Chge % / -0.09 -0.19 -0.19 -0.19 -0.26 -0.13 / ago -0.25 -0.13 / ago -0.26 / ago -0.15 / ago -0.16 / ago -0.17 / ago -	Account of interest y 2.43 2 2.26 2 2.27 1 4.19 2 2.86 2 Yield final irred † bled, 15 bled, 15 bled, 15 legh 15 114.15 1998 Government 240200 52 percent	adj Tripid Res 25 120 25 120 27 134 146 38 137 38 138 138 21 190 03 136 43 146 44 146 47 7 11425 48 144 146 48 144 146 48 144 144 48 144 48 144 48 144 144 48 144 144 48 144 144 48 144 144 48 144 144 48 144 144 48 144 144 48 144 144 48 144 144 48 144 144 48 144 144 48 1	otal (hem Yes) 19.96 4.1114 4.515.47 4.515.47 4.512.25 4.512.25 4.512.25 4.514.4.54 4.514	id Year 2.2 89 5.6 8.7 85 8.7 12 97 6.5 97 12 9	rs Welcon 10 33.2 12 29.6 13.8 1	ght Index-Bale 27 1 Up to 1 62 2 Over 5 98 3 5-15 v 28 4 Over 1 67 5 All stor 79 000 Auai yield Up to 5 yru 5-75 yrs Over 15 yru All Stools	Apr 13 [2.98] Apr 13 [3.555] Apr 13 [4.57] Apr 13 [5.555] Apr 13 [6.555]	Inflation. har yrs. Ap 3.2.2 2 13.37 1 14.65 1 17.13 1 11.82 1 Apr 12 155.84 threes high: 65 1804	Tue Apr 13 226.53 226.73 246.78 236.70 0%	-0 02 -0.07 -0.07 -0.08 -0.06	### 13 D
Portugui Spain Sundon Sulfoorland UK UK UK UK Til Apr 13 Australia Austria Bajuun Canada Dentusak	05/01 05/09 08/08 01/01 07/09 05/08 05/08 05/08 11/01 12/03	6.800 108.450 5.375 102.320 103.75 102.320 103.75 103.760 0.000 107.370 10.250 107.345 6.500 107.345 6.500 107.365 6.500 107.760 6.500 107.760 6.500 107.760 6.500 107.760 6.500 105.850 107.760 6.500 105.850 107.760 6.500 105.850 107.760 6.500 105.850 107.760 6.500 107	4.86 4.08 2.79 4.08 2.74 4.08 2.26 4.14 2.15 4.86 4.42 4.43 4.96 8.01 5.10 9.50 Motherdand New Zests Spekts Spekts Spekts	+0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 *0.05	4.05	223 + 6.3 231 - 1.6 231 - 1.6 231 - 1.6 24 - 1.5 241 - 2.8 241 - 2.8 241 - 2.8 241 - 2.8 252 - 1.6 252 - 1.7 263 - 1.7 264 - 1.7 265 - 1	4 Sep 3 M WOTE 2 Aur 2 Sep 3 * LTT 4 Sep 3 * LTT 4 Sep 4 T1750 117	Coun 118.17 Lines also traded SELT PUTUTES 1.18 1.18 1.19 0.89 0.51 0.33 aut, Cube 439 Put EASORY BOND 123-02 122-03	108.18 (TURES (J. Cisse 117.98 117.98 117.70	-0.06 FFE 2100. Change -0.29 -0.27 Change beenst LFFE 5100. 15 1 15 1 15 1 15 1 15 1 15 1 15 1 15	High 112,44 Ig. are for 1,000 FORMS 1,000	100% 100% Sep 1.51 1.61 1.61 1.67 2.45 2.77 11762 Pers 816 100% Low 122-23 122-10	Bst. vol. Open 22980 824 0 0 PWTS 0 Est. vol. Open 477 3,59 00m 1925ms of 109 Est. vol. Open	Price Indices UK 68ts 1 Up to 5 year 2 5-10 years 2 10-15 years 4 5-15 years 5 Over 15 year 6 irrotermative 7 All electes (4 Violal factions) 5 year 10 year	11 Apr 13 / 14 Apr 13 / 14 Apr 13 / 15 Apr 15 Apr 15 Apr 15 Apr 16 Apr 16 Apr 17 Apr 16 Apr 17 Apr 17 Apr 18	Tun Apr 13 121.27 171.06 185.76 175.32 232.37 325.55 186.33 Apr 12 Yr 4.82 4.82 4.82 4.82 13 Apr 12 13 Apr 17 19 114.4 A right test	Dey's / Chee % (-0.09 -0.18 -0.17 -0.18 -0.26 -0.13 r ago 8.02 -0.13 / r ago 8.02 / r ago 12 / Apr 8 / r ago 14 114.69 / r ago 15 / r ago 16 / r ago 17 / r ago 18 / r ago 18 / r ago 19 / r ago 10 / r ago 10 / r ago 11 / r ago 12 / r ago 12 / r ago 13 / r ago 14 114.69 / r ago 15 / r ago 16 / r ago 17 / r ago 18 / r ago 18 / r ago 19 / r ago 19 / r ago 10 / r ago 10 / r ago 10 / r ago 10 / r ago 11 / r ago 12 / r ago 12 / r ago 13 / r ago 14 / r ago 15 / r ago 16 / r ago 17 / r ago 18 / r ago 18 / r ago 19 / r ago 19 / r ago 19 / r ago 10 / r ago 11 / r ago 12 / r ago 13 / r ago 14 / r ago 15 / r ago 16 / r ago 17 / r ago 17 / r ago 18 / r ago 19 / r ago 19 / r ago 10 / r ago 11 / r ago 12 / r ago 13 / r ago 14 / r ago 15 / r ago 16 / r ago 17 / r ago 18 / r ago 18 / r ago 19 / r ago 10 / r ago	Accused ad interest y 2.43 2 2.296 2 2.96 2 2.273 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.	adj Tr rid Res 25 120 87 134 44 146 80 137 11 190 21 190 22 190 136 190 14 yet Year Apr 7 114.25 head Security Res 14 190 15 190 16 190 17 190 18 19 19 18 1	otal (burn Yes) 19.96 4.7 17.44 4.5 17.45 4.5	id Year 2.2	15 Welcom 10 33.2 2 29.6 2 13.6 2 43.2 2 43.2 2 10.0 2 10.	ght lenden-flair 27 1 Up to 1 62 2 Over 5 68 3 5-15 yr 67 5 All stor 79 000 Audi yield Up to 5 yr Over 5 yr 5-15 yrs Over 15 yrs All Stocks Flood interest 1 (UP75), low 49 18 18 for FISE interests	Apr 13 C	Inflation. har yrs. Ap 3.2.2 2 3.2.37 1 9.65 1 17.13 1 11.82 1 Apr 13 155.84 threat high s	Tue Apr 13 1 226.53 226.73 246.78 286.70 0%	-0 62	A2 1 .71 2 .
Portugui Spain Sundon Sundon claving Valor Local is out popula I Australia Australia Religium Conada Dentugaid Francoi Germany Germany	05/01 05/09 08/08 01/01 07/09 05/08 05/08 05/08 05/08 11/01 12/03 12/03 12/03 12/03 12/03 12/03 12/03 12/03 01/01 02/04 11/08 02/29 ***Rev Firk mid-day erisst standard-firmunality valued of the control	8.800 108.450 5.375 102.320 1.375 102.320 1.375 103.470 0.000 107.370 0.250 107.345 6.500 107.345 6.500 107.365 6.	4.86 4.98 2.79 4.08 2.74 4.08 2.95 4.16 2.15 4.96 4.42 4.42 4.43 4.96 8.01 8.10 9.50 Notherland Notherland Norw Zesta	+0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.00	4.05	223 + 6.3 1.33 + 6.5 1.36 - 1.4 1.31 + 6.5 1.34 - 1.8 1.34 - 1.8 1.34 - 1.8 1.34 - 1.8 1.35 - 1.0 1	4 Sep 3 M WOTHO 2 Aury Sep 3 M WOTHO 2 Aury Sep 3 M WOTHO 3 11890 M 11990 M 11	Coun 118.17 Ures also traded SELT PUTURES 1.48 1.49 1.51 0.89 0.51 0.33 nd, Culta 430 Put SASSIRY BOND Domn 123-02 122-23 122-03	108.18 CITURES (J. CISSE 117.98 117.98 117.90 117.9	-0.06 FFE 2100, Change -0.29 -0.29 -0.27 Open learner LEFFE 5100 Change -0.09 -0.09 -0.09 -0.09 -0.09 -0.09 -0.09 -0.09 -0.09	High 112,44 High are for 1,000 FOURSE June 1,000 FOURSE High 125-109 125-20 125	117.00 117.00 117.00 Sup 1.31 1.61 1.61 1.67 2.14 2.45 2.77 11762 Pers and 1 100% 100% 100-23 122-10 100%	Est. vol. Open 22980 824 0 0 PWTS 0 0 PWTS 207,914 557; 4,751 40,9 477 3,99 00m 100m of 109 Est. vol. Open 994 n/s	Price Indices UK 680s 1 Up to 5 year 2 5-10 years 2 10-15 years 4 5-15 years 5 Over 15 years 6 producements 7 All elects (4 Yield Indices) 6 yea 10 yes 10 yes 15 yes Coupen Sends Me FT Found Indices pote Total Selects UK GUS Shorte* (Lines up to Total Selects Total Coupen in the Indices) It was 10 yes	112 12 12 12 12 12 12 12	Tun Apr 13 12:27 17:08 18:576 17:536 18:576 17:538 325:55 18:533 Apr 12 Yr 4:52 5 4:52 5 4:52 5 4:52 5 18:533 Apr 13 Yr 19 114.A A dejate one Book apr 19 114.A A dejate one Book apr 10:55	Day's / Chge % / -0.09 -0.19 -0.19 -0.19 -0.25 -0.13 / ago 8.02 -0.13 / ag	Accused and interest y 2.43 2 2.295 2 2.271 1. 1.105 2 2.288 2 2.106 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	adj Triple Res 25 1200 Res 120	otal (barn Yie 1996 4.7) 17 44 4.5 17 4.5 4.5 17 4.5 4.5 17 4.5 4.5 17 4.5 4.5 17 4.5 4.5 17 1.5 17 1.5 17 1.5 17 1.5 17 1.5 17 1.5 17 1.5 17 1.5 17 1.5 17 1.5 1.5 17 1.5 1.	Mg 2.3 Mg	15 Web 22 22 23 65 13 25 25 25 25 25 25 25 25 25 25 25 25 25	git index-link 27 1 Up to 1 62 2 Over 5 98 3 5-15 yr 98 4 Over 1 67 5 A8 stor 7 1000 Audi yield Up to 5 yr 0-yr 15 yr 5-15 yrs Over 15 yr All Stocks Fixed interest 1 (Mary 15) in far FISE interests Price 1 + or - 12222000 - 2100	5 years (2) years (3) years (4) years (5) sers (5) 5 years (4) 100 110 110 110 110 110 110 110 110 11	Immiration 3.22 2 13.37 1 9.65 1 11.82 1 11.82 1 155.84 Interest high see 1804.	Tue Apr 13 226.55 269.30 244.78 286.72 280.70 0% — r 12 Vr 288 376 282 34pr 9 155.85 since comp	Apr 8 154.81 1184.81 1	######################################
Portugui Spain Sundon Sulfoorland UK UK UK The Sundon closing Velor Local is once populate is once popula	05/01 05/09 08/08 01/01 07/09 05/06 05/06 05/06 11/01 12/03	6.800 108.450 5.375 102.320 103.750 6.000 103.870 0.000 107.370 102.550 107.345 6.500	4.86 4.08 2.79 4.08 2.74 4.08 2.74 4.08 2.75 4.16 2.75 4.86 4.16 2.75 4.86 4.16 2.75 4.86 5.10 3.50 Motherland New Zesta Speta Speta Speta US Source: Interior size	+0.05 +0.05 +0.05 +0.05 +0.05 +0.00 +0.00 +0.00 +0.00 +0.00 +0.00 +0.00 *0.00	4.05 -4.07	223 + 40.3 1.29 - 10.5 1.26 - 1.4 - 0.8 1.24 - 0.8 1.24 - 0.8 1.24 - 0.8 1.24 - 0.8 1.24 - 0.8 1.25 - 1.9 1.25 - 0.7 1.25 - 0.7 1.26 - 0.7 1.27 - 0.7 1.27 - 0.7 1.28 - 0.8 1.29 - 0.7 1.20 - 0.8 1.20 - 0.7 1.20 - 0.8 1.20	4 Sep 3 M WOTEL SEP 3 Se	Coun 118.17 Les also traded SELT PUTURES 1.48 1.17 0.89 (1.69 0.53 0.53 0.53 0.53 0.53 0.53 0.53 0.53	108.18 (UTURES (J. Close 117.98 117.90 117.90 117.90 117.90 117.90 117.90 117.90 118.30 118.31 13.31 13.31 13.31 13.31 13.31 13.31 13.31 13.31 13.32 13.32 13.32 13.32 13.33 13.33 13.33 13.33 13.33 13.33 13.33 13.33 13.33	Change	High 118,44 High are to 1,000 House 1,000	100% 100% 100% 100% 100% 100% 100% 100%	Bst. vol. Open 22990 824 0 0 PHTS	Price Indices UK 680s 1 Up to 5 year 2 5-10 years 2 10-15 years 4 5-15 years 5 Over 15 years 6 producements 7 All elects (4 Yield Indices) 6 yea 10 yes 10 yes 15 yes Coupen Sends Me FT Found Indices pote Total Selects UK GUS Shorte* (Lines up to Total Selects Total Coupen in the Indices) It was 10 yes	112 12 12 12 12 12 12 12	Tun Apr 13 12:27 17:08 18:576 17:536 18:576 17:538 325:55 18:533 Apr 12 Yr 4:52 5 4:52 5 4:52 5 4:52 5 18:533 Apr 13 Yr 19 114.A A dejate one Book apr 19 114.A A dejate one Book apr 10:55	Day's / Chge % / -0.09 -0.19 -0.19 -0.19 -0.25 -0.13 / ago 8.02 -0.13 / ag	Accused and interest y 2.43 2 2.295 2 2.271 1. 1.105 2 2.288 2 2.106 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Apr 7 114-25 Apr 7 144-146 146 147 147 147 147 147 147	otal (burn Yield (### Notices	15 Weld 10 33.2 2 29.6 6 13.8 2 24.2 2 43.2 2 43.2 2 2.6 7 0.7 2 100 43 43 43 43 45 45 45 45 45 45 45 45 45 45 45 45 45	gril Index-Base 27 1 Up to: 62 2 Over 5 63 5-15 v 66 3 5-15 v 66 4 Over 1 67 5 A8 650 79 000 Auai vield: Up to 5 yr: Over 5 yru 5-15 yrs Over 15 yrs Over 15 yrs All Stocks Pitce £ + or - 122-2000 -2100 112-5000 -2500 119-3000 -2500	Apr 13 (2) Apr 13 (2) Apr 13 (2) Apr 13 (2) Apr 13 (3) 1.79 1.85 Apr 13 52 species on 677 1.85 Apr 13 2.96 1.77 1.85 Apr 13 2.96 1.77 1.85 2.96 1.77 1.85 2.96 1.77 1.85 2.96 1.77 1.85 2.96 1.77 1.85 2.96 1.77 1.85 2.96 1.77 1.85 2.96 1.77 1.85 2.96 1.77 1.85 2.96 1.77 1.85 2.96 1.77 1.85 2.96 1.77 1.85	Inflications July 195 Ap 3.22 2 13.37 1 19.65 1 11.82 1 11.82 1 155.84 Interest high 1 86 1 1804 21-20 29 21-20 17 21-20 27 21-20 17	Tue Apr 13 226.55 269.30 249.78 226.70 0% — r 12 Vr 12 Vr 12 S8 1. 1.76 2 1.76 2 1.83 3. Apr 9 155.85 since comp	Apr 8 154.81 1154.81 12 22 21 33 22 22 22 38 18 18 18 18 18 18 18 18 18 18 18 18 18	### 13 D ###
Fortugal Spain Sundon Sulforrierd UK Landon claving Yelda: Losal is deet populate to Aper 13 Australia Australia Conado, Durtugals Franco Germany Sereoce Irdand Raly Japan	05/01 05/09 08/08 01/01 07/09 05/06 05/06 05/06 11/01 12/03	8.800 108.450 5.375 102.320 1.375 102.320 1.375 103.470 0.000 107.370 0.250 107.345 6.500 107.345 6.500 107.365 6.	4.86 4.88 2.79 4.08 2.74 4.08 2.74 4.08 2.15 4.86 4.14 1.16 4.86 4.12 4.43 4.86 8.01 5.10 5.50 PREAD Notherland New Zeste Portugal Suitzerland IIII Suitzerland IIII Suitzerland IIII Suitzerland IIII Suitzerland Amendiked (+0.05 +0.05 +0.05 +0.05 +0.05 +0.00 +0.00 +0.00 +0.00 +0.00 +0.00 +0.00 *0.00	4.05 -4.07	223 + 40.3 1.29 - 10.5 1.26 - 1.4 - 0.8 1.24 - 0.8 1.24 - 0.8 1.24 - 0.8 1.24 - 0.8 1.24 - 0.8 1.25 - 1.9 1.25 - 0.7 1.25 - 0.7 1.26 - 0.7 1.27 - 0.7 1.27 - 0.7 1.28 - 0.8 1.29 - 0.7 1.20 - 0.8 1.20 - 0.7 1.20 - 0.8 1.20	4 Sep 3 M WOTEL SEP 3 Se	Cogn 118.17 Lines also traded SELT PUTUTES 1.48 1.17 0.89 0.51 0.51 0.51 0.51 0.51 0.51 0.51 0.51	108.18 (UTURES (J. Close 117.98 117.90 117.90 117.90 117.90 117.90 117.90 117.90 118.30 118.31 13.31 13.31 13.31 13.31 13.31 13.31 13.31 13.31 13.32 13.32 13.32 13.32 13.33 13.33 13.33 13.33 13.33 13.33 13.33 13.33 13.33	Change	High 118,44 High are to 1,000 House 1,000	100% 100% 100% 100% 100% 100% 100% 100%	Bst. vol. Open 22990 824 0 0 PHTS	FTSE ACI Price tradices UK 688s 1 Up to 5 years 2 5-10 years 3 10-15 years 4 5-15 years 5 Over 15 year 6 Arctionmutch 7 Address 5 Over 15 year 10 yea	112 12 12 12 12 12 12 12	Tun Apr 13 12:27 17:08 18:576 17:536 18:576 17:538 325:55 18:533 Apr 12 Yr 4:52 5 4:52 5 4:52 5 4:52 5 18:533 Apr 13 Yr 19 114.A A dejate one Book apr 19 114.A A dejate one Book apr 10:55	Day's / Chge % / -0.09 -0.19 -0.19 -0.19 -0.25 -0.13 / ago 8.02 -0.13 / ag	Accused and interest y 2.43 2 2.295 2 2.271 1. 1.105 2 2.288 2 2.106 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Apr 7 144.25 Apr 7 Apr	otal (burn Yie burn Yie burn Yie 19.96 4.7 11.4 4.5 15.5.47 4.3 17.5 4.5 17.5 17.5 17.5 17.5 17.5 17.5 17.5 17	Mg 2.38 5.6 6.7 7 6.5 5. 6. 7 6 6. 7	15 Weld 10 33.2 2 29.6 2 29.6 2 43.2 2 43.2 2 43.2 2 100 3 31 4 32 4 32 4 33 4 34 5 30 4 51 5 30 5 31 5 31 5 31 5 31 5 31 5 31 5 31 5 31	git index-link 27 1 Up to 1 62 2 Over 5 98 3 5-15 yr 98 4 Over 1 67 5 A8 stor 79 Over 5 yr 0 5-75 yr 0 Over 15 yr All Stories Pitce E + or - 122-2000 - 2000 118-3500 - 2500 118-3500 - 2500 118-3500 - 2500 118-3500 - 2500 118-3500 - 2500 118-3500 - 2500 118-3500 - 2500 118-3500 - 2500	5 years (2) years (3) years (6) years (7) year	Inflications July 17. Apr 13. 22. 2. 13.37. 1 19.65. 1 11.82. 1 155.84 Apr 13. 155.84 Apr 13. 155.84 Apr 14. 155.84 Apr 15. 155.85 Apr 15. 15	Tue Apr 13 226.55 259.30 249.78 226.70 0% — r 12 Yr 286 .1.76 .282 .283 .384 .9 155.85 since comp	Apr 8 - held hel	### 13 D ###
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+0.03 -0.08 -0.03 +0.86 +7.40 +0.73 +0.18 +0.92 +0.24 +1.92 +0.01 -0.32 -0.29 -0.36 -0.42 Total Return 1183.09 14.69 1460.67 85.40 1348.36 42.64 1566.89 42.77 1420.22 100.00 Dur yes Apr 12 Yr age 3.22 13.47 9.68 17.21 2.09 7.59 1.51 1.61 2.77 2.78 2.79 2.78 2.78 Yr wys Highr 142.35 158.45 115.32 /891, low 50.33 (3/1/75), Phones -9500 198.18 191.35 -0500 206.40 197.88 -0700 207.83 195.37 -0200 134.77 158.28 -1500 239.80 211.95 +0200 221.45 118.45 -.1100 235.62 201.83 -2400 221.BB 178.12 Trees 70; 2002 — 6:58 4.76 108.4600 Coer 95;c 2002 — 6:8 8.37 4.66 113.4600 — 113.4600 — 6:8 8.37 4.66 113.4600 — 6:8 16:2 2002 — 6:4 8.45 185;000 — 6:4 16:2 2003 — 7:4 8.45 185;000 — 7:4 8.45 183;000 — 7:12 4.79 112.2000 — 7:12 4.79 112.2000 — 7:12 4.79 112.2000 — 7:12 4.79 112.2000 — 7:12 4.79 112.2000 — 7:12 4.79 112.2000 — 7:12 4.79 112.2000 — 7:12 4.79 110.0000 — 7:12 4.79 110.0000 — 7:12 4.79 110.0000 — 7:12 4.79 111.0 __ 5.77 4.55 1\$1 7200 = 1700 156.08 L31.97 110.89 Exth 12pc 2013-17. 4 6.71 4.56 178.8200 -.2200 183.80 160 67 5.39 4.52 148,2900 1583; 152 703₂ 59 91.62 Was Loan 31-pe _____ 4.60





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CURRENCIES & MONEY

Market settles after Kosovo euro blip

MARKETS REPORT

By Alan Beattle A brief flurry of excitement

down below \$1.08 yesterday after stories emerged of Serb troops crossing the border into Albania

But the currency swiftly sion proved short-lived, reassuring the markets that the incident was more likely to be a border skirmish than the start of a ground war. The euro closed at the end of London trading yesterday at \$1.079, little changed from

the start of trading. The fall gave the market M Another disaster which something to think about on failed to happen was the prean otherwise fairly stultifying day in the markets, as the lack of direction in the large currency pairs was confirmed by option volatilities across the board sagging

further downwards. The non-event of Monday's dollar collapse that never

Benk of India.

But Blk of Mid East

5.25 5.25

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Investor Bank (LR) Lid5.25 Julien Hodge Bank 5.25

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came was also confirmed. Traders said that when the Dow rose in its first few hours of trading yesterday, A brief flurry of excitement the idea was finally dispatched that the Compaq profits warning would be enough to spark the long- looking up hyperbolic synawaited collapse in US equities and the dollar.

Meanwhile the other pre- rency reached another mileturned around as the incur-dictable currency victims of stone in its crawl back mouvais quart d'heure. The Greek drachma had a quick dip below the key Dr325 level against the euro before coming back up for air, and the Hungarian forint drifted lower against its basket,

> dicted meltdown in the Brazilian Real after it was deval-

■ P0	א או מאט	EW YORK
Apr 13		Prev. close
C and	1.6140	1,6140
T min	1.6135	1.6134
2 440	1.6128	1.6128
1 91	f.6127	1.6129

ued earlier this year. After the Real plunged

below R\$2.00 against the dollar in the immediate aftermath of the cut, currency analysis reached for their thesauruses and starting But yesterday the cur-

Kosovo tension also had a towards respectability, rising above the R\$1.70 level as supportive public sector fiscal data were released. The figures suggested that the IMF primary budget surplus target will be met, and that the impact of interest rate cuts reducing debt service charges more than offset the effect of devaluation on dollar-linked public debt.

By the London close the Real was at R\$1.6675. Analysts said that the rise reflected repatriation by investors more domestic than a flood of international money, but that it still boded well for future interest rate

reserves to support it." ■ The recovery in the Real

cuts and fiscal consolidation. "This is the typical Brazilrience suggests that some ian pattern of market positioning ahead of a central bank meeting," said Gene Frieda, head of emerging markets at the consultancy

4Cast in London. "The Real's recovery indicates that the common view that inflation is the primary mover of currency changes may have causation back to

But Mr Frieda warned that the Real remained vulnerable to changes in sentiment. "Most of the recent flows term," he said. "However, the currency should be well supported for at least the

has raised the intriguing possibility that emerging market crises can be weathered by the large currencies. Some in the market have

said that the Brazilian expe-

untoward event like a Chi-

Apr 13		£			8	
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LINEY	380.227	-	390,786	235,260	-	235.4
	9	٠	機構製	100 (E)	-	300
(Depte)	0.4929	-	0.4934	0.3050	-	0.305
Peru	5,4256	-	5,4322	3,3570	•	3,359
Polenci	6,4325			3,9808		
1200	41.7625					
LAE	5.9380	-	5.9401	3,6725		3,613

nese devaluation might not be disastrous for global risk appetite and the dollar.

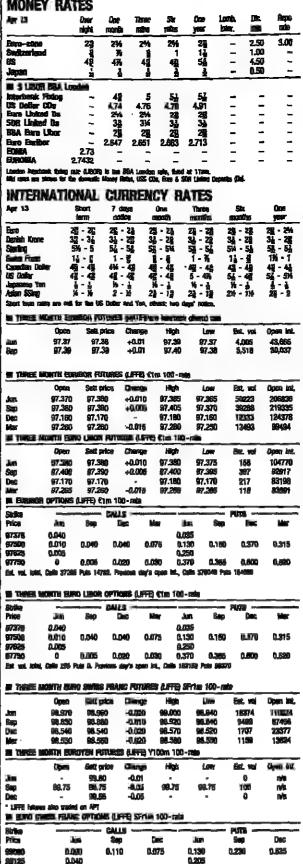
"It is all relative, but there has definitely been an increase in risk appetite recently, certainly from the very low levels we saw in January," said one analyst next month, since the cen-tral bank has plenty of ket bond spreads are coming down and there has been interest over the last couple of days in currencies such as the rand and the Mexican

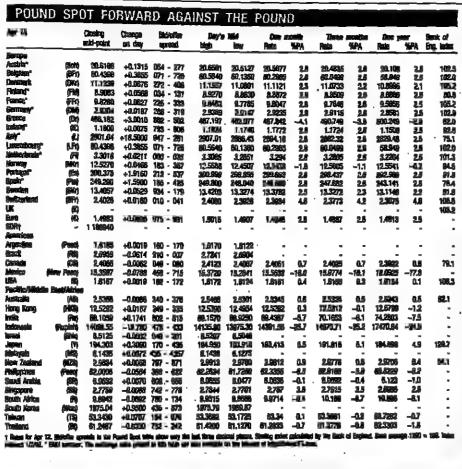
> The rand hit a two-month high yesterday, closing at R6.12 against the dollar Tim Fox of Standard Chartered in New York said that although problems remained in countries such as Colom-

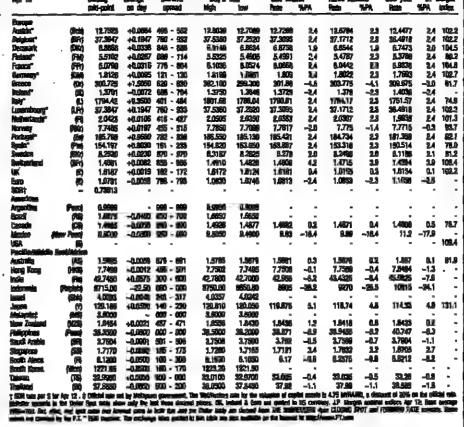
bia and Venezuela, selective

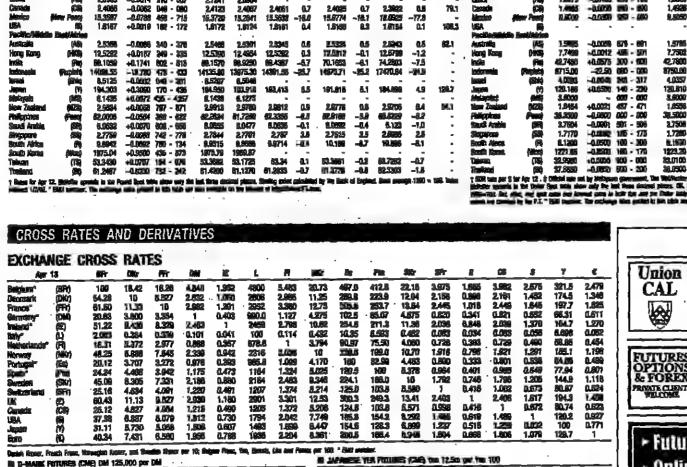
investor interest in Latin

America had returned. Other participants said that although investors continue to fight shy of emerging market equities, some interest in high yield debt had returned.

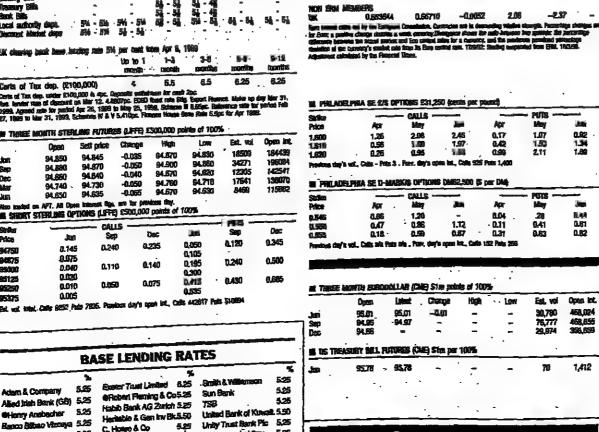


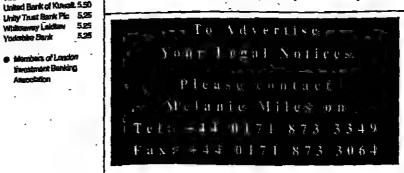


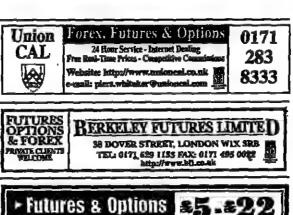




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1987 100	. (Q	31.11 40.34	7,421	6.580 1	.958 0.798	1935	2.204	8.361	200.5	165,4	1.94	1.504		1.606	1.079	129,7	1
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s essent P es es es	9,8762	0.6772 -	-0.0011	0.6174	0.6780	9,497	59,198 333 E	Jun Dec	_	1.5130	1,6140 1,6150 1,8046	+0.0014 +0.0040 -0.0072	1.002	0 1 <u>.</u> 6	1178 1180	9,833 129	65,916 7,197 30
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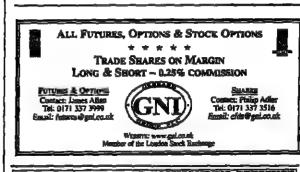
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By Mark Turner in Nairobi

East African fish exporters Lake Victoria fish exports ing Tilapia, an East African on Monday. fish, contaminated with pesticide harmful to humans.

The EU announced the

late March.

"Some cases involving fish will today protest in Brus- poisoning have been to assure the safety of the sels against an EU ban on reported to the Commission by the Uganda authorithat was adopted by the ties ... suspected to be European Commission on caused by the presence of Monday following reports pesticides in the water of the that fishermen were catch-lake," the Commission said

have taken precautionary and that there is no evidence temporary ban for Kenya Kenya and Tanzania share mainly exported to Europe pressing his case today. Kenand Tanzania following a the Lake Victoria waters. and which lives in deeper yan processors also deny particular, stand to suffer nated produce. Local prices remove the ban.

precautionary measures been affected. but ... [they] are not enough fishery products."

The move follows previous cholera scares, which were later lifted.

Tanzanian processors conmeasures. Nevertheless, that Nile Perch, the fish

They also argue that the Buropean Union has not dis- expressed anger at a lack of and tourism. Tanzania, for what they claim to be delibtinguished between the dif- government controls, which example, exports \$85m of erate misinformation by ferent parts of Lake Victoria, they say contributed to the Lake Victoria fish a year to their opponents. EU bans over salmonella and the world's second largest crisis. "To be honest, I think Europe, and each day of the Ranieri Sabatuchi, a Eurofreshwater lake.

> ria Fish Processors Association in Tanzania, who will be

poisoning.

"Our view is that the EU fish poisoning is a result of \$200,000. did not do sufficient work on the government not putting

Marine Products.

self-imposed Ugandan ban in These countries have taken waters than Tilapia, have any evidence of Nile Perch badly from the ban, with have plunged, devastating fisheries the third largest lakeside communities, and Ugandan exporters have export earners after coffee local politicians are fighting

the ban is fair. I believe the ban is costing it more than pean Commission official in Tanzania, says that today's Fish poisoning has become meeting will give East Afritest the decision, arguing this," said Harko Bhagat, in force its quotas," said a highly political issue in all can processors, governments "The Uganda authorities that they have tight controls chairman of the Lake Victo- Farooq Makubuya, the man- three countries, after a and EU officials a chance to aging director of Uganda series of hurid press reports assess the extent of the poialleging that consumers had soning and to define the Tanzania and Uganda, in died from eating contami- measures necessary to

Jump in Brazilian coffee exports

MARKETS REPORT By Paul Solutan, Robert Corzine and Gillian O'Comor

Brazil came close to tripling its coffee exports last month, encouraged by the devaluation of the Real.

The world's largest coffee producer exported 2.1m 60kg bags last month, 180 per cent more than in March 1997, Brazil's two coffee associations said. They are forecasting exports of 1.7m bags this

This was not so for El Salvador, whose coffee shipments between October and April fell 62 per cent compared with the same period last season. It suffered big crop losses after being hit by

Hurricane Mitch. Coffee prices were little moved in thin trading yesterday, the most active May robusta contract on the London International Financial Futures and Options Exchange ending at \$1,477 a tonne, down \$6 from Mon-

day's close. Raw sugar prices suffered renewed losses, slipping below Monday's 11%-year low of 5.25 cents a pound. In mid-day trading on New York's Coffee, Sugar and Cocoa Exchange, the May contract stood at 5.10 cents. Oil prices continued to firm yesterday, with the beliwether May Brent futures contract quoted at \$15.17 a barrel in late trading on London's International Petroleum Exchange. Concern about a possible escalation of the Kosovo conflict helped

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boost prices, according to traders. The news of clashes in Albania involving Serbs also helped firm the price of gold. Copper and aluminium led base metals higher, partly because of fresh rumours of imminent production closures in copper, partly because of alleged buying by

investment funds.

Randgold to develop Morila

Randgold Resources, the London-listed subsidiary of South Africa's Randgold & ture is a mere 10.5 months -Exploration, has decided to partly because the higher go ahead with the development of the low-cost Morila gold mine in the west Afri- the internal rate of return is can state of Mali after a put at 51 per cent. Producfavourable feasibility study.

Roger Kebble, chairman, ary 2001. and Mark Bristow, managing director, expect the mine to restore the fortunes of Randgold Resources, which tion there is forecast at made a net loss of \$9.18m in 270,000 ounces for the curthe December quarter and rent calendar year and the has struggled to find favour with investors since it was listed two years ago.

The feasibility study, audited by Resource Service Group of Australia, estimates proven and probable the business. This is going to gold reserves of 3.33m ounces at the site, and puts ble said yesterday. Morila's total resources at

4.45m ounces. costs are \$133 per ounce - or \$158 including royalties to Ghana, Randgold says. the Mali government. The Resolute, the Australian negative changes in the gold would pay Ghana's Ashanti price". Rights to Morila and Goldfields \$39m for the 50 other Malian assets were bought from Australia's BHP

which is expected to cost between \$75m and \$111m to develop. Predicted payback time for the capital expendigrade oxide near the surface will be processed first - and tion should begin by Janu-

Randgold Resources' other main operation is also in Mali, at Syama. Gold produccompany says Morila will have a similar output over its 10-year life, but at a much

"Syama's just the flywheel. This is going to make make the company," Mr Keb-

Morila's output will also help push Mali into the top Projected cash operating three African gold producers, after South Africa and

audit accepts Morila will be gold mining company. "relatively insensitive to announced yesterday that it per cent stake in the Golden Pride gold project in Tanzania it does not already own, N.M. Rothschild & Sons and interests in a number of has agreed to arrange proj- adjacent prospects.

Australian sugar shaken by change in trade flows

Competition is threatening the industry, writes Stephen Wyatt

Brazil. Sugar is Australia's

fifth most important farm

export, generating A\$1.66bn

(US\$1.05bn) in export reve-

Brazil's sugar exports have

exploded during the 1990s.

especially from the centre-

south of Brazil. Before 1990

this area did not export

sugar but produced sugar for

domestic ethanol production.

Now the region is expected

to export about 7.5m tonnes.

A lot of this sugar will now go into Asia. "For the

first time, Brazillan sugar

(is)...competitive in the

Asian region," says Mr Rutledge. This is because

freight rates into Asia have

fallen as a result of Asia's

Brazil has traditionally

exported to Russia, West

Africa, India and the Middle

East. It has rarely competed

directly with Australian

sugar but now, with Russia

virtually out of the market

and with lower Asia Pacific

freight rates opening up Asia

economic slowdown.

nues in 1997/98.

The Australian sugar plus is projected to be industry is under threat from a shift in the pattern of global sugar trade flows, collapsing world sugar prices and extremely wet weather in its main sugargrowing state, Queensland.

"The shift in the pattern of trade flows, caused by Russia's withdrawal as an importer late last year and Brazil's continued expansion, have increased global competition, with Brazil and other producers entering some Queensland markets for the first time," says David Rutledge, chief executive of Queensland Sugar

Corporation. "The marketplace has changed and the [Australian raw sugar] industry must respond to these changes if it is to remain competitive," he says, stressing the need to improve quality, shipping and supply flexibility and push for reform in the highly protected economies

of the US, the EU and Japan. At the moment, however, Australian sugar traders are squarely focused on what they perceive as their big-gest threat - Brazilian sugar exports to Asia. The sugar harvest in Brazil has just to Brazil, Brazilian sugar has

quent collapse of the Brazil-Australia exported 4.5m ian currency, the Real, in tonnes of sugar in 1997/98 January has also made Bramaking it the world's second zilian sugar 32 per cent more largest sugar exporter, after competitive.

In short, the East Asian sugar premium - the price premium in Asia to New York sugar futures - has fallen from 2.5 US cents per pound in 1996, when freight rates were high, to around 0.75 US cents per pound.

For the Australian sugar industry though, there is another problem. It is facing this increasing competition just as world sugar prices collapse.

Prices have fallen 40 ner cent so far this year and last week July New York sugar futures hit 5.03 US cents per pound, the lowest since Seprember 1985.

Also, the Australian sugar crop for the past two years has been seriously damaged by wet weather, flooding and this year by February's Cyclone Rona. The sugar crop for 1998/99 is forecast by the Australian Bureau of Agricultural and Resource Economics to fail to 4.87m tonnes from last year's record 5.57m tonnes. In addition, it forecasts the



1999/2000 crop (harvested in

"What is happening is a prices and a lot of rain," says Ross Chapman, deputy general manager of Canegrowers - a body representing Queensland sugar grow-

The likely price for this year's (sugar) harvest will be below the industry's cost of cent of the crop has been significantly damaged by heavy rain and floods, says Mr Chapman.

Canegrowers, on behalf of May this year) only to sugar-cane farmers, will be recover marginally to 5.2m applying to the Australian sovernment for "exceptional circumstances grants". double whammy, Growers which would give growers have suffered from both low access to unemployment

Forward sales and hedging in the futures market when sugar prices were reasonable in 1998 by Queensland Sugar Corporation, the statutory corporation that has an export monopoly on the marketing of Queensland's raw production and about 30 per sugar, secured prices of around A\$350 a tonne. Next year, however, sugar growers will begin to feel the

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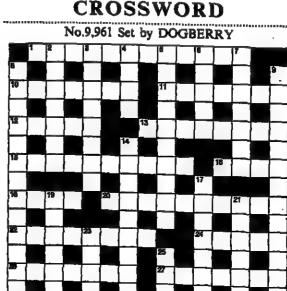
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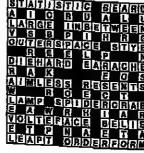
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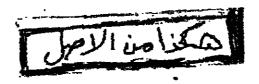
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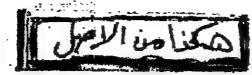




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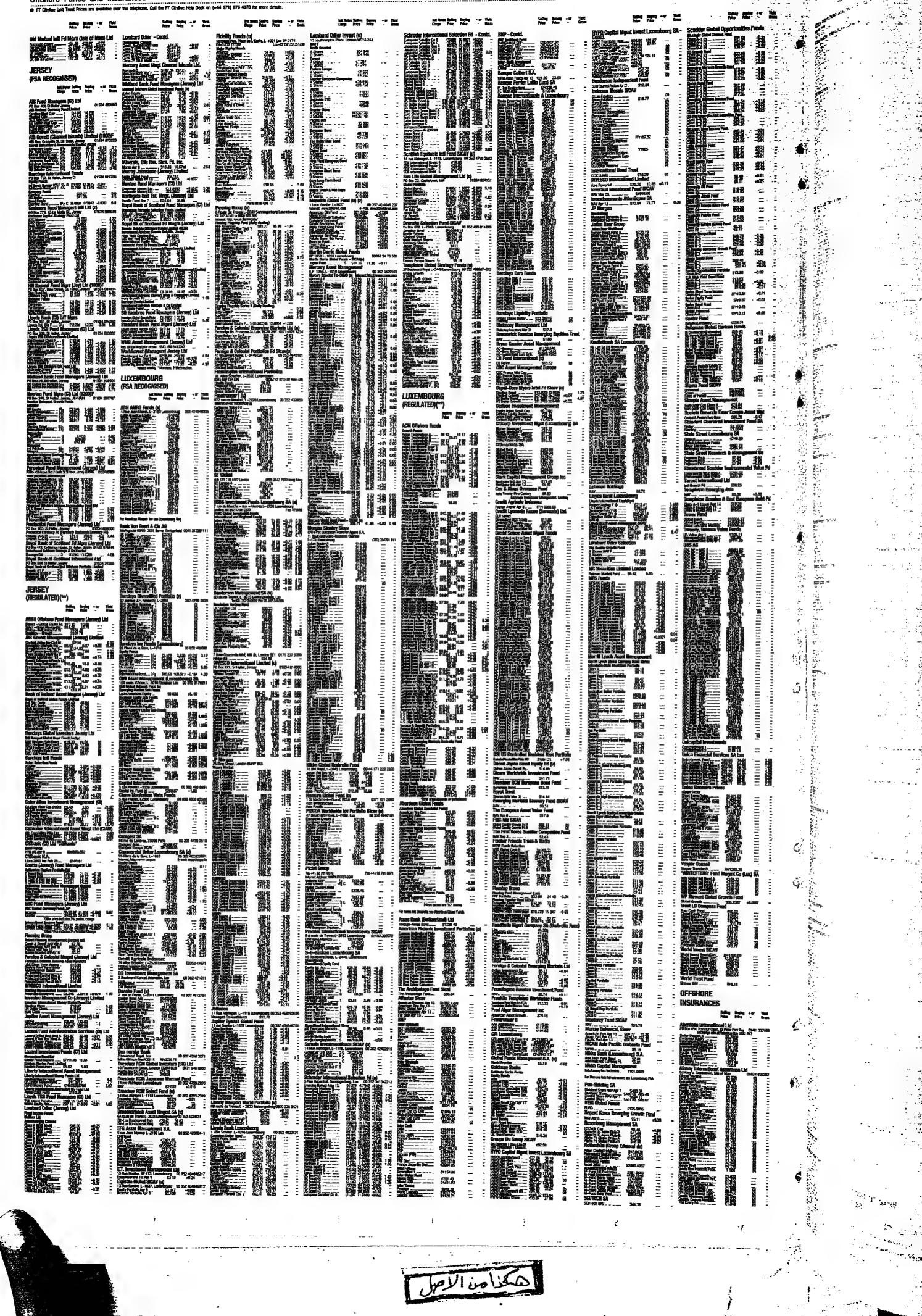
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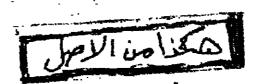
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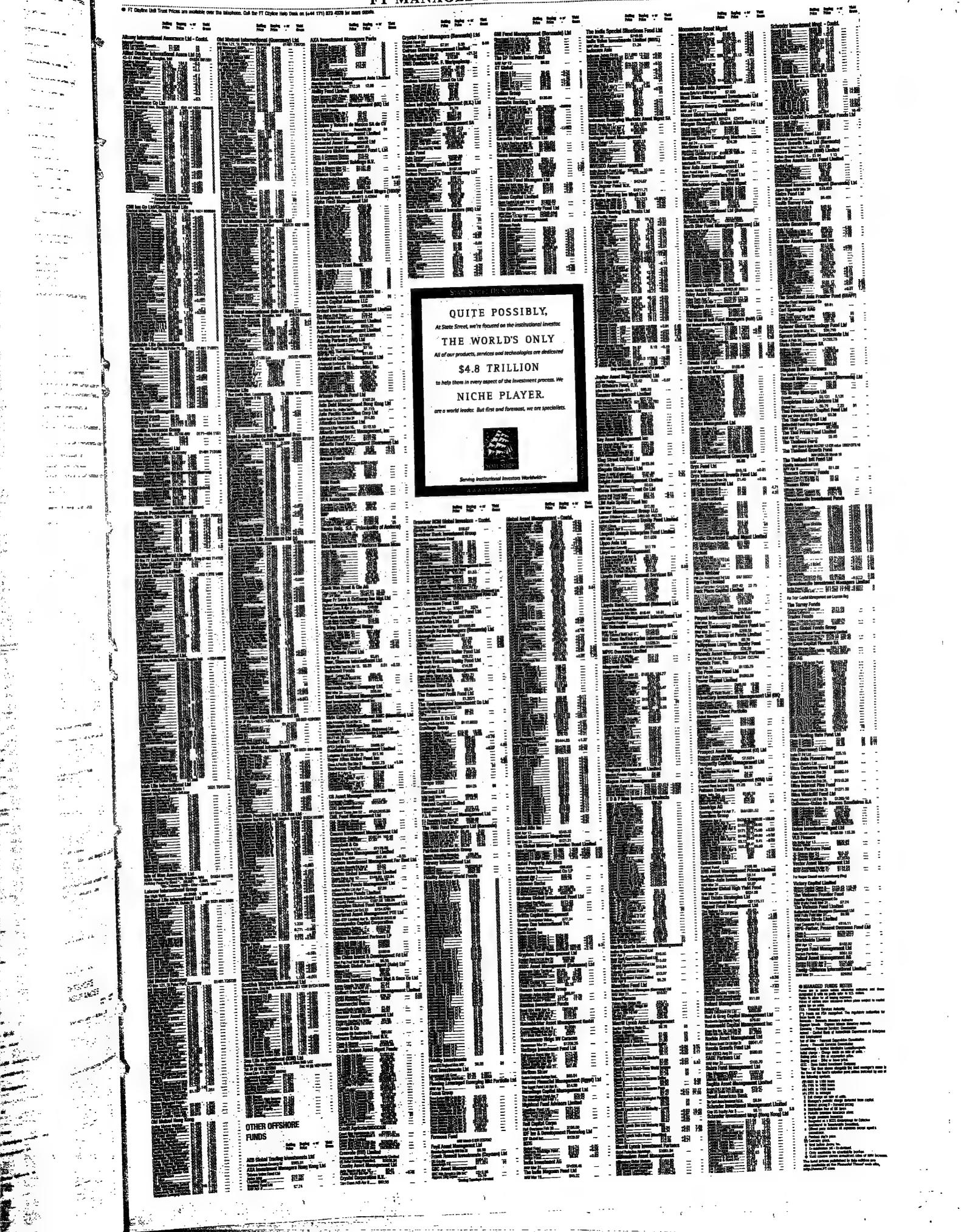
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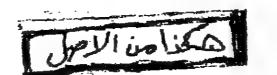




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Footsie surges to intra-day and closing records

By Steve Thompson, UK Stock Market Editor

The Compaq doomsters were sent running for cover yesterday as London stocks went into overdrive, with new records after celebrating Wall Street's startling to hit record intra-day and performance overnight.

the Dow Jones Industrial Average raced up to yet another record on Monday, as cash poured into the recently unfashionable cyclical stocks.

a determined run and topaway shortly after the London close.

There was no stopping the stake in the company. UK's leading stocks, repreindex, which hurtled ahead closing levels. The market's Contrary to expectations, second and third-ranking stocks also made solid, if unspectacular progress.

Already stimulated by Wall Street's overnight surge. UK investors were electrified by news that War-

terday with the Dow taking his investment vehicle. Berkshire Hathaway, had been a ping 10,400. However, it fell big buyer of a leading UK stock and was on the verge of announcing a 3 per cent

There was intense speculathe FTSE 100 index hitting sented by the FTSE 100 tion about Buffett's target stock, with many market favourites being put forward, including Marks and Spencer, Bass, Cadbury-Schweppes, Vodafone and Centrica, all of which have figured prominently as heavily traded stocks in recent months.

The FTSE 100 index ended

And Wall Street provided ren Buffett, the revered US at a record closing level of ning performances, the further encouragement yes- investment guru, had said 6,513.1. up 71.9. after hitting FTSE 250 advancing during big part in market sentia peak of 6.519.5 when Wall Street was at its best.

> Marketmakers said there was a substantial supply of new money coming into the market. "The Peps [personal equity plan | cash is still running and the takeover stories are fuelling even more support from small investors. It feels as if the market bid stories as Laporte, the will continue upwards but It is getting into bandit country; something will scalp

> us," said one dealer. The two junior FTSE indi- 2,428.6. with dealers noting ces continued their long- the continuing strength in running sequence of win- many high-tech stocks.

the day to close at a session best 5.592.4. up 33.5.

Gains in the second-liners moted by intense takeover speculation, especially in the However, there was a sharp reminder of the potential for disappointment among the chemicals group, announced the failure of takeover talks.

with vague bid talk to drive

Bass talk goes flat

Early-morning rumours of

a possible bid for drinks and

hotels group Bass from

Granada Group, the media

missed by sector specialists.

One analyst said simply:

"Although it is possible,

Bass shares have under-

performed the market by

10.2 per cent since the begin-

ning of this year on a combi-

nation of worries consumer

spending in the UK and

lately on fears over the con-

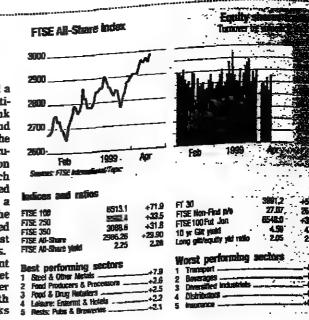
yesterday. They hardened

said: "S&N has been calming

least not at this stage."

Individual stories played a ment; Barclays Bank retreated, stabilised and then surged ahead after the were said to have been pro- news of the new chief executive's enforced resignation for health reasons, which was said to have opened another opportunity for a predator. J. Menzies, the high street retailer, attracted keen speculative interest

based on takeover rumours. The FTSE SmallCap, in the pick-up in market meanwhile, improved 10.7 to activity, which saw turnover reach 1.13bn shares, with non-FTSE 100 stocks accounting for 52 per cent.



Buffett's boost to M&S

COMPANIES REPORT By Peter John and Joel Kibazo

Marks and Spencer shares reacted to comments by Warren Buffett, the US investor, that he is pumping some of his \$15bn cash pile into at least one British com-

While the "sage of Omaha" gave few specifics, he did indicate that he was only interested in substantial companies and hinted that he would declare an interest of more than 3 per cent. Buffett's substantial following in the US means that other investors would probably follow his lead.

M&S appears to fit some of one the perceived criteria for Mr Buffett's Berkshire Hathaway, which likes big consumer brand names.

The retailer once dominated the British high street but suffered heavily after a profits warning earlier in the

The slump from a high of 654p over the past year to a low of 338p led to a surge of activity which was highlighted by a single day's turnover of more than 60m

"It would not surprise me if Warren Buffett's comments applied to this stock." said Richard Crossley, tech-

nical analyst at Teath- cautious after it was er & Greenwood. M&S shares announced that Michael recovered 14 to 429%p on turnover of 8.6m shares.

induced something of a guessing game in the market yesterday and other companies mentioned as possible targets included Cadbury Schweppes, which gained 1914 to 91414p, and Vodafone,

which rose 9 to £12.12. Barclays bucked the latest boardroom bombshell as consolidation hopes swept through the banking sector. The shares were down more than 50p in early trade as a number of brokers took

announced that Michael O'Neill, the new chief executive, was leaving after his Buffett's comments first day because of a heart DAUFBIUF.

> However, the stock recovered sharply as the market decided that the exit provided a perfect opportunity to link up with Royal Bank of Scotland

Barclays is understood to have rejected at least four potential merger partners chief executive. After the departure of Martin Taylor in November, the bank was besieged by investment

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Prudential. The return of that chat ensured Barclays reversed the weakness to close 46 up at £19.19. Meanwhile, Royal Bank 71/2 to 2971/20. jumped 62 to £14.25 with WestLB Panmure reiterating

fits of mergers with RBOS,

Bank of Scotland, Halifax or

a "buy" up to £15.00 a share, Bank of Scotland rose 11 to several drinks-related stocks 910p and Halifax 17 to 864p. Prudential eased 2 to 844p. Laporte dived 12 per cent

as Monday's star became yesterday's tarnished trophy. The speciality chemicals group had shot up on weekend press stories, later confirmed by the company, and hotels group, were disthat it was in talks about a possible offer.

The bidder was widely believed to be Clariant of somehow I can't see it, at Switzerland and a price tag of 800p a share was being suggested. But first thing yesterday morning Laporte said the talks had foundered. The shares fell back 96 to

66712p, the worst perfor-

mance among FTSE 250

stocks although some dealflict in the Balkans hurting ers suggested that the comhotel bookings. Granada pany might merely be haggshares closed 50 up at £14.43. ling over prices and reports Investors appeared untroubled by those issues yester-day which helped Bass jump of the death of the deal might have been premature. 33 to 8771/p. Dealers said Monday's positive comments on Scottish & Newcastle from HSBC continued to boost the shares

Other chemicals stocks, which had risen with earlier rumours, dropped back yesterday. Croda International fell 11 to 2274p, British Vita 9 to 221½p and Yule Catto Hopes of a soft landing for the UK economy combined

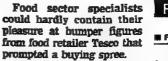
Shares in Marks and Spencer supplier Dewhirst Group improved 5% to 92p, amid talk that the company could

of a 1200 a share bid. Reuters Group were lifted

internet investments. Strong growth in March

like-for-like sales in March.

versal Stores among the best Footsie performers. The shares appreciated 35% to 780 hp. while Selfridges improved 6 to 272 in. Arcadia jumped 121/4 to 275p but Kingfisher retreated on profit-taking, closing 10% off at 890%p. The European Commission yesterday cleared the group's acquisition of 30% to 978%p. An analyst Wegert-Grosslabor, a German photographic laborapeoples nerves about trading tory that provides retail and wholesale photographic



Buyers were falling over themselves to acquire the stock and turnover by the close had soared to a hefty 6m, by far the most actively traded stock in the FTSE 100 yesterday. The shares jumped 9% to 169% p, the best

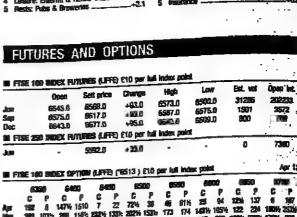
Footsie performer yesterday. Shares in Canary Wharf. the UK's third largest listed property group, gained 8 to stock is to be included in the Salomon Smith Barney property index from the end of April. Unconditional trading in the stock began two

soon be on the receiving end

361/2 to £10.091/2 with some dealers citing a strong performance from Multex, one of the group's "greenshoot"

retail sales revealed by the British Retail Consortium brought renewed confidence to the retail sector and helped boost stores-related

The strongest figures since April 1998 showed annual growth of 3.9 per cent in Yesterday saw Great Uni-

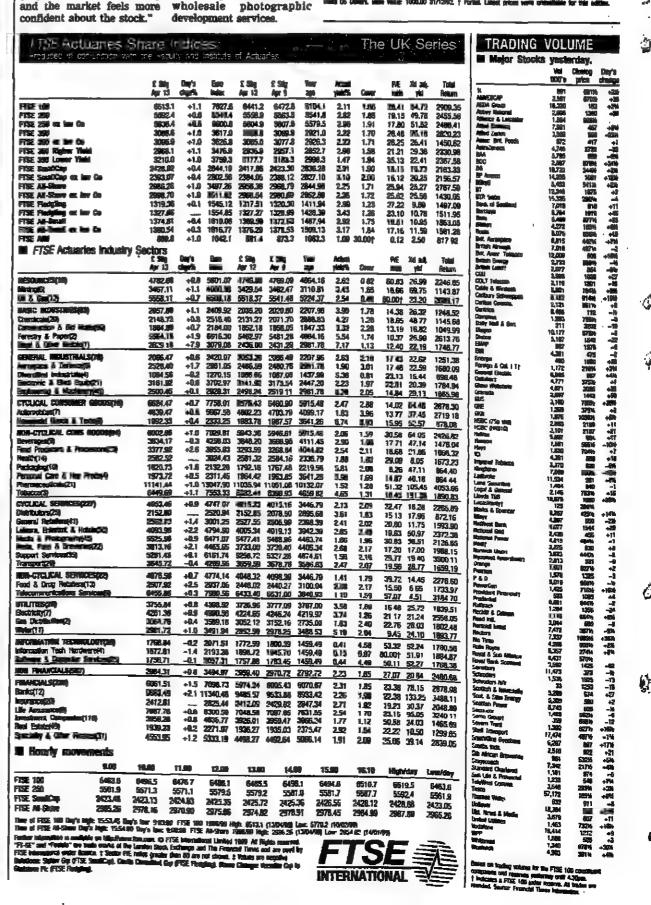


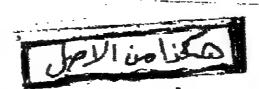
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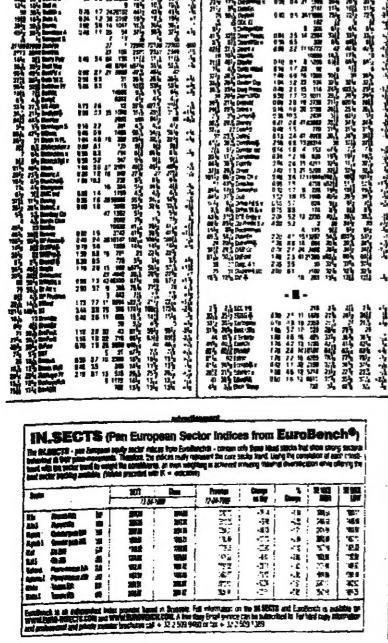
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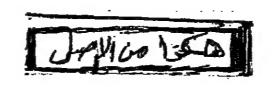
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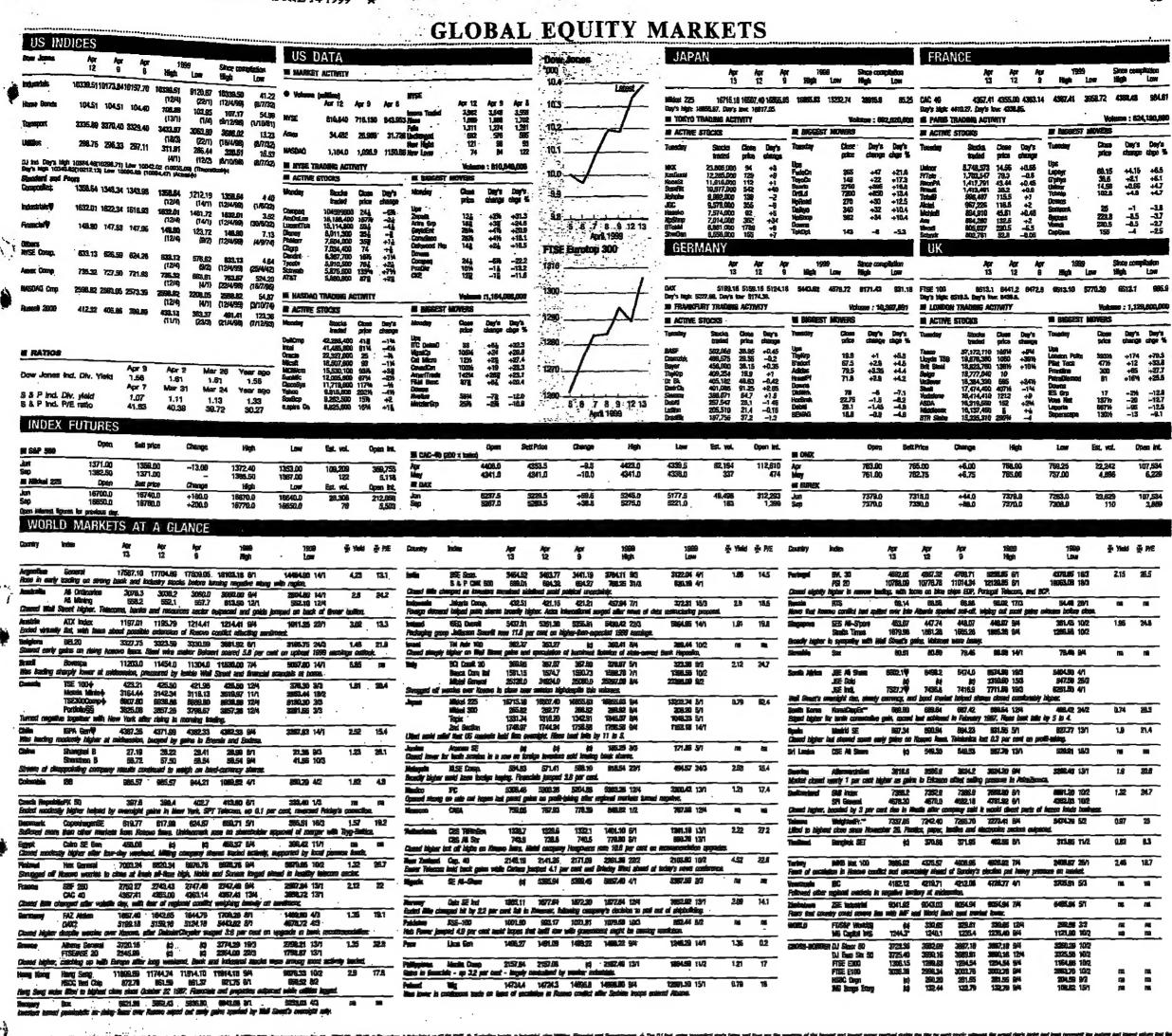
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Wall St allows bourses to brush off crises

WORLD OVERVIEW

34

The bull market in equities rumbled on yesterday, with the latest escalation of the hostilities in the Balkans causing only a brief moment of concern, writes Philip

The record close of the Dow Jones Industrial Average on Monday, as US inves-

steals wind

got off to a strong start. In Asia, the Hang Seng

index gained 1.3 per cent to reach its highest level since kei 225 in Tokyo rose more than 200 points. European markets fol-

lowed the lead from the US and Asia, moving further.

indicating that the crisis cent. might be widening.

The calm attitude of investors also allowed them to October 1997 while the Nik- dismiss a statement from European Central Bank vice-president Christian week's cut in European interest rates was the last in tors shrugged off the profits ahead and only temporarily the current cycle. Some ana-

Yugoslavian conflict.

covering countries both

inside and outside Emu,

climbed 39.04 to 3,035.38,

higher at 1.306.15.

while the broader FTSE

FRANKFURT closed near

its high for the day as a Mer-

rill Lynch upgrade for Daim-

lerChrysler helped the mar-

For full FTSE European Indices

term buy. Earlier, the motor

on a deal to acquire a stake

in Japanese truck and bus

A £1.28 surge in Thyssen-

€134 and Deutsche Telekom.

this week's annual news con-

would be looking for news of

telecom rivals, although

they noted that Telekom had

declined yesterday to com-

Telecom Italia.

Renault of France.

Euro Storr index.

see Euro Markets page.

In the European afternoon. Wall Street took up the baton once more, quickly carrying the Dow above 10,400 on the back of consumer price numbers indic-Noyer. Noyer said that last ating that inflationary pressures remain subdued.

Peter Oppenheimer, giobal strategist at HSBC, said the

puter, ensured most markets troops had entered Albania. might fall as low as 2 per cated there was something to global crises, markets of a US liquidity squeeze.

"People have come to market," he said.

Regarding Kosovo, Oppenlearnt in recent years that, if drag on markets."

In the chemicals sector.

Clariant added SFr5 to

SF1730 as the group declined

to comment on speculation

that it had been in talks to

acquire Britain's Laporte.

The UK group said, however,

that talks with a potential

MADRID closed modestly

higher as fears about a wid-

ening of the Kosovo conflict

capped gains. The general

index ended 6.40 or 0.7 per

main risers, with Santander

up 66 cents to €21.03 and

BCH adding 41 cents to

€12.68 as the two companies

prepared to merge. The com-

bined entity, called BSCH,

was expected to begin trad-

AMSTERDAM trimmed

early gains and the AEX

Banks were among the

cent higher to 897.34.

ing on Monday.

540.99.

hidder had ended.

warning from Compaq Com- stumbling on news that Serb lysts had hoped that rates resilience of the market indi- they sold shares in respons would quickly bounce back.

"The assumption was that believe that interest rates the Kosovo crisis would be will stay low and, even with over fairly quickly. But we The Seoul stock market profit warnings, there is are just starting to see some nowhere else for the money concern," he said. "If Nato to go but into the equity ground troops go in, that will have knock-on effects in terms of government spendheimer said investors had ing and that could prove a

DaimlerChrysler boosts Dax severe slump last year. after Cor Boonstra, chairman, said he was confident the company's bid for Calif-

ornia-based chip maker VLSI would succeed. Baan rose 65 cents or a hefty 9.1 per cent to €7.80. yielding stocks. but recovered only part of a The surge of funds has 24.6 per cent plunge over

that last six days.
MILAN finished close to its best levels, with the Mibtel index up 202 at 25,126. San Paulo picked up 2.6 per cent at €15 as the executive committee gathered to examine its stake in Ina, seen as a potential takeover target. Ins., which has risen strongly in recent weeks

added 1.7 per cent to €2.78. HELSINKI ignored developments in Kosovo and rose to a new record close, the first time to settle at 7,003.24 on the Hex index, up 182.90 or 2.7 per cent.

Sonera rose €1.34 or a sharp 8.6 per cent to €16.91 on news that it would drop two outdated mobile communications services.

per cent surge in Jefferson Smurfit after the packaging group unveiled higher-thanexpected annual results. Smurfit jumped 22 cents to €2.12 as the group said that North America should lead a world recovery in containerboard pricing. The ISEQ index put on 86.6

breaching the 7,000 mark for

Mobile phone company

DUBLIN featured an 11.6

to 5,437.91. index closed 4.82 higher to

Written and edited by Michael Morgan, Bertrand Bencit, Paul Gregen and Mark Heritay

EMERGING MARKET FOCUS

Low rates send Seoul to a high

continues to roar ahead. The world's best performing bourse in 1998, it is up 22 per cent this year. Yesterday it neared 700 points as the composite index closed at 689.50, an 16-month high.

But the market's strength is not surprising given that interest rates have fallen to a 15-year low. A relaxed monetary policy has resulted in abundant liquidity to help rescue the economy from a Investment trust compa

nies and unit trusts are suddenly stuffed with cash, with customer deposits exceeding Won6,000bn as investors shift their funds to high-

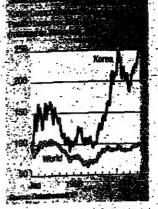
enabled the stock market to absorb a 53 per cent jump in rights issues this year as Korea's big conglomerates, or chaebol, try to reduce their debt/equity ratio to a government target of 200 per cent by the end of 1999.

Foreign investors have also contributed to the bull run. With global liquidity still healthy and investors looking for recovery plays in emerging markets, enthusiasm for Korea has increased as the nation's reform programme has gained the reputation for being the most aggressive among east Asia's hattered economies.

Gross domestic product is expected to grow at least 2 per cent this autumn after shrinking 5.8 per cent in 1998. A stable currency has eased fears about foreign exchange losses.

But analysts are still worried that fundamentals do not justify the market rally. One source of concern is that corporate restructuring is patchy. Some of the leading chaebol, including the Samsung, LG and SK groups, have reduced their dzeable debts, which bodes well for such blue-chip stocks as Samsung Electron-

ics and SK Telecom. But Hyundai and Daewoo.



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the two biggest chaebol terms of assets, have piled up more debt in the past year, raising fears about their financial stability if the economy stumbles again.

Labour unrest could also hurt investor sentiment. An agreement between the trade unions and industrial groups appears to unravelling, with workers threatening a general strike later this month. Labour militancy is likely to grow if unemployment exceeds 9 per cent as debtheavy companies sack workers as they restructure.

A longer-term threat to the market is the possibility Korea is heading for a "double-dip" recession. The current sconomy recovery is mainly due to inventory restocking and increased money supply. But growth in private consumption remains sluggish because of fears over unemployment, while industrial investment is weak as companies grapple with overcapacity.

A feared slowdown in global demand and deflationary pressure on Korea's main export products could tip the economy back into recession next year. This would further erode corporate profitability when the introduction of tougher accounting standards is already expected to weaken

John Burton

Profit-taking EUROPE European equity markets

AMERICAS

A strong start on Wall Street had largely run out of steam by midday as positive early sentiment in the brokerage sector gave way to broader profit-taking, writes John

Financial shares remained strong but quickly lost their momentum. Helping to boost confidence in the sector were better-than-expected earnings results from Merrill Lynch and PaineWebber. Merrill's shares fell back by midday, off \$2% at \$97%, while PaineWebber climbed more than 6 per cent to

\$464.
The biggest surprises came in the internet sector. as online brokerage stocks managed unusually strong gains after industry leader Charles Schwab was upgraded to a "buy" rating by Oppenheimer. Schwab was up more than 8 per cent or \$11% to \$145%, while E*Trade surged 15 per cent to \$110% and Ameritrade Holdings gained 12 per cent or \$18 to \$160%.

The Dow Jones Industrial Average was 2.22 higher in early afternoon trading at 10,341.73. The broader Standard & Poor's 500 index fell 10.54 to 1,348.10.

The high-tech sensitive Nasdag composite index was down 16.91 to 2.581.90. Smallcompany shares did better than most, sending the Russell 2000 index up 3.19 to

US Tressury prices pulled back after the release of figretail sales and as traders prepared for corporate debt issues. By early afternoon the benchmark long bond was down 1/2 to 96%, sending the yield up to 5.485 per cent.

Among Dow stocks, Interthan 5 per cent higher to \$49 after it reported quarterly results. Caterpillar was also a strong gainer, up \$1 to 2532. But drug company Merck was off \$2% at \$82% 5.306.58.

from brokers

after an analyst at Morgan Stanley gave the stock a

Computer producers mostly lower, with Dell Computer off \$1% to \$40% and Compaq down \$1 to \$24 after Compaq's surprise profits warning last week.

Products was up \$1% to \$53 above current estimates.

away from them. The TSE-200 composite index was

had posted impressive gains in recent sessions on the back of its discount broker-

merce was 10 cents higher at C\$43.10, off an early C\$43.40. MEXICO CITY was flat at midsession, as investors bet

national Paper was more on lower interest rates at the

Paper sends Jo'burg higher

SOUTH AFRICA

Johannesburg saw a 17.5 per cent surge in pulp and paper company Sappi, as investors bet on a turnaround in commodity cycles on perceptions that demand in Asia was set

The Sappi shares jumped

day losses to finish 21.9 up at 2.941.1 as the bullion price

R5.50 to R37. The overall index rose 103.9 to 6,602.1 and industrials advanced 90.9 to 7,527.7. Gold recovered from intra-

index closed with a rise of DaimlerChrysler put on Consumer company Avon €3.19 to €91.95 as the US investment bank raised the stock to an intermediate-

after the company said its upcoming earnings would be TORONTO was mixed at midsession as investors flocked to individual stocks and just as quickly shied

31.64 higher at 6,970.52 in heavy volume of 71m shares. Banks opened strongly but by midday, Toronto-Dominion had suffered a loss of 90 cents at C\$85.55. The shares

attracted buyers ahead of Royal Bank of Canada also ures on consumer prices and turned back from its best early levels to trade C\$1.35 lower at C\$76.05 and Canadian Imperial Bank of Com-

government securities auction and remained optimistic about forthcoming first-quarter earnings reports. The IPC index was 3.30 higher at

dent since mid-March. Adidas-Salomon. the sportswear and equipment maker, jumped 62.80 to £78.80 on the view that the worst of the company's news was now in the price and that the outlook for earnings

weakness that had been evi-

The shares had fallen 18 per cent since the start of

PARIS closed little changed at the end of a SFr2bn. yo-yo day. The market began



ing before turning negative

Eurotop 300 index was 16.52 The CAC-40 settled a mere 12.41 higher to 4,367.41. Vivendi shed €6.50 to €230.50 after announcing a 65.7bn capital increase and saying it would seek a separate listket shrug off reports that ing for its utilities unit.

The news lifted Canal Plus €9.50 to €291.50 on speculation that the increase, osten-Serb forces had entered sibly earmarked to fund the acquisition of US Filter Albania. The Xetra Dax Corp, could allow Vivendi to raise its stake in the pay-TV

Lagardère, the missiles and publishing group, con-tinued to rise following its

ISTANBUL crashed 8.9 per cent group dismissed a report it was keeping the door open as election worries were machad cressed into maker Nissan Diesel from At one stage, the IMKB

National-100 index tumbled 11.4 per cent to an intraday low of 3,875.54. It later recov-Krupp to €20.06 was attributed to a change in its ered some of the losses to weighting in the Dow Jones close 388.55 lower on the day at 3,996.02. Mannesmann, up €1.60 at The market had lost 11.2 per €1.10 ahead at €41.70

cent over the previous three sessions following a 17 per Analysts said the market acquisition plans from the emerging from Sunday's eral election were fast evap

about the outlook for financial ment on speculation it could be a white knight bidder for HypoVereinsbank put on bid for radio broadcaster €1.95 to €57.75, extending Europe 1 announced on Monday. It moved €1.39 ahead to Monday's rebound from the

ting. This was raising doubts

€32.10. ZURICH was kept afload by a sharp rise in Nestle after news that the company planned to divest parts of its frozen-foods business. The SMI index finished 13.3

higher at 7,366.2. Nestlé jumped SFr84 to SF12,746 after a high of SF12,774, as the market surmised that the sale of parts of the frozen-foods busin could net the company up to

Some analysts thought that Nestlé might use the Philips rose €1.95 to €74.65 Living Vice Preside actor Operations .ament Minister dicer Chief Econs ent Consultant als Director Presid dng Director Cho-

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Debt, Development and Democracy: Prospects and Challenges

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Funds take lead in Tokyo rise

ASIA PACIFIC

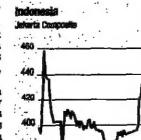
Wall Street's overnight surge reversed the mood in TOKYO, taking share prices higher across the board, writes Michiyo Nakamoto.

After a cautious day on Monday, brought about by Computer's profits warning last week, investors returned to the market with renewed enthusiasm. Pension funds and other institu-The Nikkel average rose

207.76 to close at 16,715.16 after fluctuating between a high of 16,855.67 and an opening low of 16,617.05. Advancing issues came to 821 against 372 that declined and 129 that were

Volume failed to pick up significantly, rising to 892m from Monday's 604m. The broad-based Topix index gained 15.54 to 1,331.74

and the Nikkei 300 rose 3.05 Sectors that have been unpopular attracted buying on low prices. These included construction and steel companies. Among the top 10 most heavily traded issues, Kobe Steel gained Y1 would combine its joint ven- economic forecast and over- stronger regional markets.



in the US with those of the Blackstone group. NKK, the steel manufacturer and the

day's volume leader, rose Y3 to Y94 and Kumagai Gumi, a construction firm which announced a profits warning, gained Y9 to Y129. The real estate sector was the best performer. Investors expect the Bank of Japan's policy, revealed yesterday, to

to zero will boost real estate Mitsui Pudosan increased Y40 to Y1,133 and Mitsubishi Estate rose Y47 to Y1,319. SYDNEY hit a new lifehigh after Friday's record to Y112, after a report that it close, inspired by positive

ture steelmaking operations night gains on Wall Street.

maintain interest rates close

higher to 3,076.3. Leading banks took a fair share of the rise, with

National Australia up 49 cents to A\$29.29 while ANZ rose 29 cents to A\$12.16. JAKARTA closed 27 per cent higher, buoyed by gains in neighbouring markets and sustained buying by foreign investors. The composite index moved 11.37 ahead to 432.52, despite a sell-off in

selected blue chips.

munications issue Telkom dded Rp75 to Rp3,350, while Indosat gained Rp675 to Rp13,300. Tin miner Timah succumbed to profit-taking, conceding Rp25 to Rp6,925. TAIPEI benefited from rising oil prices, upbeat March sales reports, and Wall Street's record close. The

Heavily weighted telecom-

or 1.3 per cent higher, reaching a four-month high at There was strength in the technology sector, with computer manufacturer Acer

HONG KONG tested a

near 18-month high before

closing with firm gains,

encouraged by the record

close on Wall Street and

adding T\$1 to T\$52.50.

ghted index settled 95.45

The All Ordinaries index ished 154.95 or 1.3 per cent closed 88.1 or 1.3 per cent higher at 11,899.69, off an intra-day high of 11,956.43. Turnover dipped Among blue chips, HSBC

rose HK\$4 to HK\$270, Hang Seng Bank advanced HK\$1.50 to HK\$75.50 and Hutchison Whampoa put on 75 cents to HK\$66.75. KUALA LUMPUR ended at a two-month high in moder-

ately heavy volume as foreign funds weighed in and

the composite index posted a

rise of 13.22 or 2.3 per cent at Banking stocks led the rally on expectations of an improving economy and falling interest rates. Malaysian brokerage K&N Kenanga upgraded the sector, saying that banks with relatively poor asset quality would benefit more from lower interest rates than banks

already strong. KARACHI erased early losses and the KSE-100 index moved back above the 1,000 level, fuelled by pargainhunting and technical factors. The index closed 8.62

whose balance sheets were

higher at 1,001.90. Traders said buyers had returned to the market looking for bargains after the index's sharp fall on The Hang Seng index fin- Monday.